CHINA UNIENERGY GROUP LIMITED
中国优质能源集团有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1573)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board (the "**Board**") of directors (the "**Director**") of CHINA UNIENERGY GROUP LIMITED (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2016 (the "**Reporting Period**").

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately RMB298.4 million (six months ended 30 June 2015: RMB190.6 million).
- Sales volume of anthracitic coal amounted to approximately 486,000 tonnes (six months ended 30 June 2015: 331,000 tonnes).
- Gross profit amounted to approximately RMB170.1 million (six months ended 30 June 2015: RMB101.7 million).
- Gross profit margin was 57.0% (six months ended 30 June 2015: 53.4%).
- Profit attributable to owners of the Company amounted to approximately RMB76.5 million (six months ended 30 June 2015: RMB54.9 million).
- Basic earnings per share was RMB0.13 (six months ended 30 June 2015: RMB0.09).

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	NOTES	**Six months ended 30 June**	
		2016	2015
		RMB'000	*RMB'000*
		(unaudited)	*(unaudited)*
Revenue	3	**298,373**	190,631
Cost of sales		**(128,301)**	(88,914)
Gross profit		**170,072**	101,717
Other income		**914**	239
Distribution and selling expenses		**(1,568)**	(1,046)
Administrative expenses		**(10,375)**	(7,723)
Listing expenses		**(26,144)**	(469)
Finance costs		**(22,555)**	(19,959)
Share of (loss) profit of a joint venture		**(134)**	75
Profit before taxation		**110,210**	72,834
Income tax expense	4	**(33,729)**	(17,917)
Profit and total comprehensive income for the period	5	**76,481**	54,917
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**76,481**	54,917
Non-controlling interests		**—**	—
		76,481	54,917
		RMB	RMB
Earnings per share			
Basic	7	**0.13**	0.09

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		**303,281**	312,695
Mining rights		**910,435**	921,614
Rehabilitation deposits		**19,874**	19,874
Interest in a joint venture		**9,657**	9,791
Prepaid lease payments - non-current portion		**6,517**	6,582
		1,249,764	1,270,556
Current assets			
Inventories		**1,892**	1,503
Prepaid lease payments - current portion		**253**	314
Trade and other receivables	8	**81,246**	86,290
Bank balances		**31,820**	31,895
		115,211	120,002
Current liabilities			
Trade and other payables	9	**215,951**	201,597
Provision for restoration and environmental costs		**1,488**	1,850
Tax payables		**23,503**	25,529
Bank borrowings - current portion	10	**232,300**	238,300
		473,242	467,276
Net current liabilities		**(358,031)**	(347,274)
Total assets less current liabilities		**891,733**	923,282

	NOTE	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Capital and reserves			
Share capital/paid-in capital		**629**	35,000
Reserves		**446,661**	370,180
Equity attributable to owners of the Company		**447,290**	405,180
Non-controlling interests		**—**	—
Total equity		**447,290**	405,180
Non-current liabilities			
Provision for restoration and environmental costs		**17,376**	18,081
Bank borrowings - non-current portion	10	**413,750**	484,900
Deferred tax liabilities		**13,317**	15,121
		444,443	518,102
		891,733	923,282

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. LISTING, REORGANISATION AND BASIS OF PRESENTATION AND PREPARATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 July 2016 (the "Listing"). In the preparation of the Listing, the Group underwent a group reorganisation, as more fully explained in the section headed "History, Reorganisation and Group Structure" in the prospectus of the Company dated 30 June 2016 (the "Prospectus") (the "Reorganisation"), to rationalise the group structure of the companies now comprising the Group.

Prior to the Reorganisation, 貴州優銀投資控股有限公司 (Guizhou Union Investment Holding Company Limited) ("Union Investment") and 貴州瑞聯資產管理有限公司 (Guizhou Ruilian Assets Management Company Limited) ("Guizhou Ruilian") owned Guizhou Union as to 50% and 50%, respectively. Union Investment was owned by two individuals, namely Mr. Xu Bo and Mr. Xiao Zhijun, both being directors of the Company (collectively the "Union Investment Shareholders"), as to 80% and 20%, respectively, while Guizhou Ruilian was owned by Union Investment and other five individuals (the "Guizhou Ruilian Individual Shareholders"), as to 50% and 50% (in aggregate), respectively. In addition, pursuant to the relevant shareholders' resolution of Guizhou Union and Guizhou Ruilian, Union Investment, a company controlled by Mr. Xu Bo, was able to exercise control over Guizhou Union and Guizhou Ruilian prior to the Reorganisation.

The Reorganisation principally involves the following steps:

(i) Acquisition/establishment of the Company and its wholly owned subsidiaries, China Unienergy Holdings Limited ("Unienergy BVI"), China Unienergy Development Co., Limited ("Unienergy Hong Kong") and 深圳能創新能源開發有限公司 (Shenzhen Nengchuang New Energy Development Company Limited) ("Shenzhen WFOE"), as appropriate. The Company is beneficially owned by the Union Investment Shareholders and the Guizhou Ruilian Individual Shareholders as to the percentages which they effectively held prior to the Reorganisation in the companies now comprising the Group through the two investment holding vehicles, namely Union Investment and Guizhou Ruilian.

    The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 8 January 2014; and

(ii) Acquisition of the entire 100% equity interest in Union Investment and the 50% equity interest in Guizhou Ruilian from the Union Investment Shareholders and the Guizhou Ruilian Individual Shareholders by Shenzhen WFOE on 11 April 2016.

Upon completion of the Reorganisation on 11 April 2016, the Company became a holding company of the companies now comprising the Group.

Basis of presentation

The condensed consolidated statements of profit or loss and other comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows for the six-month periods ended 30 June 2015 and 2016 have been prepared to present the financial performance, changes in equity and cash flows of the companies now comprising the Group as if the group structure upon the completion of the Reorganisation had been in existence throughout the reporting periods, or since their respective dates of acquisition/establishment, or up to the respective date of disposal, whichever is shorter.

The condensed consolidated statement of financial position of the Group as at 31 December 2015 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date, taking into account the effective dates of acquisition/establishment and disposal.

Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

At 30 June 2016, the Group had net current liabilities of approximately RMB358 million. In preparing these condensed consolidated financial statements, the directors of the Company have carefully considered the future liquidity of the Group and concluded that the Group has sufficient working capital to meet in full its financial obligations as and when they fall due in the foreseeable future, after taking into account (i) the continuous operating cash inflows generated from the Group's business; (ii) the net proceeds from the Listing; (iii) the Group's capital expenditure plan for its future business development; and (iv) the availability of banking facilities. Accordingly, the directors of the Company are satisfied that the adoption of the going concern basis in preparing the condensed consolidated financial statements is appropriate.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's combined financial information for each of the three years ended 31 December 2015 which have been included in Appendix I incorporated in the Prospectus.

Application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

All revenues are generated in the People's Republic of China (the "PRC"). The following is an analysis of the Group's revenue in the reporting periods.

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Sale of anthracite coal	**298,360**	190,548
Sale of coalbed methane	**13**	83
	298,373	190,631

Management determines the operating segment based on the information reported to the Group's chief operating decision maker ("CODM"), being the executive directors of the Company. During the six months ended 30 June 2016 and 2015, the CODM assesses the operating performance and allocates the resources of the Group as a whole as the Group is primarily engaged in the extraction and sale of anthracite coal in the PRC. Accordingly, there is only one operating and reportable segment. All the principal assets employed by the Group are located in the PRC.

Segment assets and liabilities

Information reported to the CODM for the purposes of resources allocation and performance assessment does not include any assets and liabilities. Accordingly, no segment assets and liabilities are presented.

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**35,533**	15,669
Deferred taxation	**(1,804)**	2,248
	33,729	17,917

During the six months ended 30 June 2016 and 2015, the Group had no assessable profit subject to tax in any jurisdictions other than the PRC. The Group's PRC subsidiaries are subject to EIT at the statutory rate of 25%.

No deferred taxation has been provided in respect of the undistributed earnings of the Group's PRC subsidiaries as the directors consider that such earnings will not be distributed in the foreseeable future.

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Profit for the period has been arrived at after charging (crediting):		
Amortisation of mining rights (included in cost of sales)	**9,431**	5,254
Depreciation of property, plant and equipment		
– included in cost of sales	**8,779**	5,719
– included in distribution and selling expenses	**128**	138
– included in administrative expenses	**221**	316
	9,128	6,173
Release of prepaid lease payments	**126**	276
Cost of inventories recognised as an expense	**128,301**	88,914
Bank interest income	**(68)**	(171)

6. DIVIDEND

No dividend was paid, declared or proposed for the six months ended 30 June 2016 and 2015 by the directors of the Company.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Earnings		
Earnings for the purpose of basic earnings per share		
– profit for the period attributable to owners of the Company	**76,481**	54,917

	Six months ended 30 June	
	2016	2015
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**600,000,000**	600,000,000

The number of ordinary shares for the purpose of basic earnings per share for both periods has been determined assuming the Reorganisation, subdivision of shares and capitalisation issue of the Company happened prior to the Listing had been effective on 1 January 2015.

No diluted earnings per share for the six months ended 30 June 2016 and 2015 is presented as there were no potential ordinary shares outstanding during both periods.

8. TRADE AND OTHER RECEIVABLES

	At 30 June 2016	At 31 December 2015
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade receivables	**76,895**	84,399
Deposits, prepayments and others	**4,351**	1,891
	81,246	86,290

Before accepting any new customers, the Group assesses the customers' credit quality and reputation. This exercise is also performed on a regular basis by the Group. In general, the Group requests advance payments from customers before delivering the goods and no credit period is granted. For certain customers, the Group requests an upfront sales deposit and grants them a credit period of 45 days for the six months ended 30 June 2016 (for the year ended 31 December 2015: 40 days) for subsequent purchases.

The following is an aged analysis of trade receivables, presented based on invoice dates which approximated the respective revenue recognition date, at the end of each reporting periods:

	At 30 June 2016	At 31 December 2015
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
0 - 30 days	**38,881**	64,209
31 - 60 days	**38,014**	20,190
	76,895	84,399

9. TRADE AND OTHER PAYABLES

	At 30 June 2016	At 31 December 2015
	RMB'000	RMB'000
	(unaudited)	*(audited)*
Trade payables	**5,825**	3,260
Advanced sales receipts from customers	**2,103**	7,010
Upfront sale deposits received	**11,900**	8,500
Interests payables	**13,727**	13,296
Payables for acquisition of property, plant and equipment	**2,268**	2,632
Resources fees payable and accrual (note)	**136,501**	136,501
Other tax payables	**12,303**	17,300
Accruals for staff costs	**10,929**	11,488
Other payables and accruals	**20,395**	1,610
	210,126	198,337
	215,951	201,597

note: Resources fees are charged by the PRC local government authority upon their approval to upgrade the Group's annual production capacity of the relevant coal mines and the payable amounts are determined based on the total coal reserves in the respective mining areas as assessed and approved by the authority. Included in the amounts are RMB29,055,000 as at 30 June 2016 and 31 December 2015 which carry interest at the Benchmark Lending Rate of the People's Bank of China and are payable on demand. The amount as at 30 June 2016 and 31 December 2015 also included an amount of RMB107,446,000 estimated and accrued by the management upon the PRC local government authority approving the upgrade of the annual production capacity of Lasu coal mine, Weishe coal mine and Luozhou coal mine in late 2015. Such accrual did not bear interest and the Group is in the process of finalising the actual resources fees to be paid and applying for deferring the payment and agreeing an instalment plan with the relevant authority. Up to the date of this interim results annoucement, the approval is yet to obtain.

The following is an aged analysis of trade payables, presented based on the invoice date, at the end of each reporting periods:

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
0 - 30 days	**5,825**	3,260

The average credit period for purchase of goods is 30 days.

10. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to RMB90,000,000 (six months ended 30 June 2015: RMB96,000,000) and repaid bank loans of approximately RMB167 million (six months ended 30 June 2015: RMB102 million). The loans carry interest at fixed market rates ranging from 4.79% to 6.60% (31 December 2015: ranging from 5.50% to 6.60%) per annum and are repayable within one to five years (31 December 2015: one to five years). The proceeds was used for working capital and general corporate purposes.

11. EVENTS AFTER THE END OF THE REPORTING PERIOD

Pursuant to the written resolution passed by the shareholders of the Company on 22 June 2016, conditional upon the share premium account of the Company being credited as a result of the global offering, the directors of the Company were authorised to capitalise the amount of US$5,900,000 from the amount standing to the credit of the share premium account of the Company to pay up in full at par 590,000,000 shares for allotment and issue to the existing shareholders of the Company.

On 13 July 2016, 116,000,000 new shares of the Company have been issued at the price of HK$1.80 per share under the global offering and 590,000,000 shares were allotted and issued to the existing shareholders of the Company pursuant to the above-mentioned resolution. The shares of the Company were successfully listed on the same date.

On 2 August 2016, the over-allotment option as described in the Prospectus was partially exercised by the sole global coordinator (on behalf of the international underwriters) in respect of the 2,000,000 additional new shares at the price of HK$1.80 per share. The allotment and issuance of such shares were completed on 5 August 2016

MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis is prepared as of 25 August 2016. It should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes thereto of the Group for the six months ended 30 June 2016.

Business Review and Market Review

During the first half of 2016, China's national economy was running smoothly as a whole, with progress made while stability was maintained. The information from the National Bureau of Statistics of the People's Republic of China ("**PRC**") indicated that the gross domestic product for the first half of 2016 was RMB34.0637 trillion, representing an increase of 6.7% year-on-year or an increase of 1.8% over the same period last year calculated at constant prices.

As a result of the PRC government's continuous implementation of the policy for reducing production capacity of the coal industry, the domestic coal output was 1.63 billion tonnes during the first half of 2016, representing a decrease of 9.7% year-on-year or an expanded decline of 3.9% year-on-year, while the decline in the domestic coal output was 11%, 15.5 % and 16.6% in April, May and June 2016 respectively, indicating a gradual decline month by month.

The decline in coal production capacity had, to a certain extent, affected coal stockpiles too. During the first half of 2016, inventory coal reserved by coal companies, key power generation companies and Bohai Rim Ports (Qinhuangdao, Jingtang, Caofeidian, Tianjin and Huanghua) has decreased 8.6%, 16.6% and 45% respectively.

In addition, some of the downstream industry of the coal industry picked up in the first half of 2016 as well. The policy for reducing production capacity of the iron and steel industry also hit the coal industry. With decreased production capacity, steel prices rose, steel enterprises made a profit with the increased steel prices and prices of the commodity in the segment of iron and steel bulk commodities increased in the first half of 2016. The improved profitability of steel plants in the first half of 2016 has improved the rate of operation for some steel plants, leading to a rise in the demand for coal as well. Meanwhile, the overall power industry in 2016 has performed better than last year.

There was a recovery in the coal industry as a result of the recovery of China's overall economy, China's implementation of the policy for reducing production capacity of the coal industry and the iron and steel industry as well as the recovery of the downstream industries. In the first place, the price of thermal coal picked up significantly, according to the information from NDRC, the market price of thermal coal at Qinhuangdao Port increased as at the end of June 2016. Thermal coal takes up most of the share in the coal supply market, the price upturn of which will affect the overall recovery of the coal market. Furthermore, the price index of Bohai Sea thermal coal, long known as a coal price benchmark, and Australia's Newcastle Index, Asia's benchmark coal price, had a significant increase in the first half of this year.

The technological upgrades for the Group's Weishe Coal Mine, Lasu Coal Mine and Luozhou Coal Mine, as well as the installation and operation of the coal washing facilities since July 2015, all contributed to a substantial increase in the Group's production output, sales volume and average selling prices and hence a substantial growth in the Group's revenue and net profit during the Reporting Period as compared to the same period of 2015. Based on the steady growth of the macro economy and the gradual overall recovery in the coal industry, and as the peak season for coal consumption is drawing near, the Group maintain a positive attitude towards the future rebound of the retail prices of chemical and PCI coal.

Financial Review

Revenue

During the Reporting Period, the Group recorded a revenue of approximately RMB298.4 million, representing an increase of RMB107.8 million, or a rise of approximately 56.6%, from approximately RMB190.6 million for the six months ended 30 June 2015. The increase in the revenue was primarily attributable to (i) the increase in sales volume of anthracite coal as a result of enhanced production capacity following the commencement of the joint trial run of Weishe Coal Mine and Luozhou Coal Mine in December 2015 and Lasu Coal Mine in January 2016 after the technological upgrades were carried out and the Group's sales volume of anthracite coal was approximately 486,000 tonnes, representing an increase of 155,000 tonnes, or a rise of approximately 46.8%, from approximately 331,000 tonnes for the six months ended 30 June 2015; (ii) the increase in average selling price of anthracite coal to RMB613.9 per tonne, representing a rise of 6.6% from RMB575.7 per tonne for the six months ended 30 June 2015, mainly as a result of the installation and operation of the coal preparation facilities in the second half of 2015.

Cost of Sales

The Group's cost of sales increased by 44.3% to approximately RMB128.3 million during the Reporting Period from approximately RMB88.9 million for the six months ended 30 June 2015, which was primarily attributable to the significant increase in the production volume of anthracite coal resulting the increase in (i) staff costs, (ii) costs of materials, fuels and energy, (iii) depreciation of property, plant and equipment and amortisation of mining rights, and (iv) business taxes and surcharges.

The Group's cost of sales per tonne remained stable during the Reporting Period, with slight decrease from RMB268 per tonne for the six months ended 30 June 2015 to RMB265 per tonne for the six months ended 30 June 2016.

The following table sets forth a breakdown of the Group's average cost of sales per tonne of anthracite coal in the periods as indicated below:

	Six months ended 30 June	
	2016	**2015**
Cost of sales per tonne	***RMB/Tonne***	*RMB/Tonne*
Staff costs	**109**	109
Cost of materials, fuel and energy	**74**	76
Depreciation and amortisation	**38**	34
Business taxes and surcharges	**42**	39
Restoration and environmental costs	**—**	8
Others	**2**	2
Total	**265**	268

Gross Profit and Gross Profit Margin

As a result of the foregoing, the gross profit increased by 67.2% from approximately RMB101.7 million from the six months ended 30 June 2015 to approximately RMB170.1 million for the Reporting Period. The gross profit margin increased from approximately 53.4% for the six months ended 30 June 2015 to approximately 57.0% for the Reporting Period. This was mainly due to the increase in average selling price of anthracite coal from approximately RMB575.7 per tonne for the six months ended 30 June 2015 to approximately RMB613.9 per tonne during for the Reporting Period as described above, while the cost of sales per tonne remained stable during the Reporting Period.

Distribution and Selling Expenses

During the Reporting Period, the Group's distribution and selling expenses were approximately RMB1.6 million, representing an increase of RMB0.6 million, or a rise of approximately 60.0%, from approximately RMB1.0 million for the six months ended 30 June 2015, which was primarily attributable to the increase in salaries and employee benefits expenses for sales and marketing staff as a result of the increase in the number of employee and general level of salaries and employee benefits for employees.

Administrative Expenses

During the Reporting Period, the Group's administrative expenses were approximately RMB10.4 million, representing an increase of RMB2.7 million, or a rise of approximately 35.1%, from approximately RMB7.7 million for the six months ended 30 June 2015, which was primarily attributable to the increase in salaries and employee benefits expenses for administrative staff as a result of the increase in the number of employees and general level of salaries and employee benefits for employees.

Listing Expenses

Listing expenses in relation to the global offering primarily consist of fees paid or payable to professional parties.

Finance Costs

During the Reporting Period, the Group's finance costs were approximately RMB22.6 million, representing an increase of RMB2.6 million, or a rise of approximately 13.0%, from approximately RMB20.0 million for the six months ended 30 June 2015, which was primarily attributable to the increase in average loan balance.

Income Tax Expense

During the Reporting Period, the Group's income tax expense was approximately RMB33.7 million, representing an increase of RMB15.8 million from approximately RMB17.9 million for the six months ended 30 June 2015, which was primarily attributable to the growth in the Group's business and hence resulting a higher taxable profit.

Profit and Total Comprehensive Income Attributable to Owners of the Company

During the Reporting Period, profit and total comprehensive income attributable to owners of the Company was approximately RMB76.5 million, representing an increase of RMB21.6 million, or a rise of approximately 39.3%, from approximately RMB54.9 million for the six months ended 30 June 2015. The increase was primarily attributable to the sales growth during the Reporting Period.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2016, the Group had net current liabilities of approximately RMB358.0 million (31 December 2015: RMB347.3 million).

The Group intends to finance its future capital expenditure requirements mainly with the net proceeds from the global offering, cash from operating activities and bank borrowings. As at 30 June 2016, the Group had unutilised banking facilities in the amount of approximately RMB253.9 million (31 December 2015: RMB176.8 million).

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with the covenants under the relevant loan.

Capital Commitments

There were no capital commitments as at 30 June 2016 (31 December 2015: Nil).

Gearing Ratio

As at 30 June 2016, the gearing ratio (total bank borrowings over total equity attributable to owners of the Company) was 144.5% (31 December 2015: 178.5%). As at 30 June 2016, the Group had total bank borrowings amounted to approximately RMB646.1 million (31 December 2015: RMB723.2 million).

Employee and Remuneration Policy

As of 30 June 2016, the Group had a total of 1,649 employees.

The employee's remuneration policy of the Group are formulated on the basis of the performance, work experience and salary level prevailing in the market.

The Group has not experienced any significant employment issues or any suspension of operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

Contingent Liabilities

During the the financial years of the Company ended 31 December 2013, 2014 and 2015, the Group entered into five conditional asset transfer agreements with independent third parties to acquire all the assets and liabilities in five companies (with respect to Daihaizi Coal Mine, Xinfeng Coal Mine, Chengguan Coal Mine, Hongfa Coal Mine and Qingsong Coal Mine), each of which is inactive but holding the mining right of an anthracite coal mine in Guizhou Province of the PRC. Each of the agreements contain a number of condition precedents including, but not limited to, transfer of mining right to the Group, technological upgrade and related application for upgrading the annual production capacity of the mines by the vendors, obtaining the updated mining right licenses with the increased production capacity, satisfactory completion of the due diligence by the Group as well as consideration determination based on professional valuation. At the end of the Reporting Period, the respective acquisitions are yet to complete given the fact that many of the key completion precedents are not satisfied. Hence, the Directors of the Company consider that it is unlikely that future economic benefits associated with the mines will flow to the Group in the near term and the consideration of the transactions cannot be accurately measured. The Directors of the Company concluded that the risks and rewards of those anthracite coal mines are yet to be transferred to the Group. Notwithstanding there are certain obligations imposed on the Group in the respective asset transfer agreements as well as those mining license transfer agreements subsequently entered into, the management of the Group, having consulted its PRC legal advisors, considered that contingent liabilities adhered to those agreements are remote and yet to estimate reliably. Hence, no provision has been made in the financial statements in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

During the Reporting Period, the Group entered into supplemental agreements with the vendors to delineate the rights and obligations between the parties under the proposed acquisitions and each of the vendors agreed to indemnify the Group and its directors and shareholders for any potential liabilities therefrom. In addition, the Group has the sole and absolute discretion to decide whether or not to proceed with the acquisitions in accordance with the supplemental agreements. Based on the foregoing, the management of the Group is of the view that no provision is considered necessary.

In addition, in connection with one of the above proposed conditional assets transfer agreements, the Group is a defendant to a claim with a third party regarding the non-payment of outstanding consideration and related liquidated damages of approximately RMB25.2 million in relation to Laowangchong Coal Mine. The outstanding consideration should be paid by the relevant vendor under the proposed conditional assets transfer agreement (the "**Vendor**") as the Group acted as an agent and the contracting party of the Vendor to acquire the coal mine for closure for the purpose of upgrading the annual production capacity of the Vendor's coal mine, which is the subject of the proposed acquisition. The management of the Group, having consulted its PRC legal advisors, considers that the Group's non-payment would not constitute a breach of contract under the Contract Law of the PRC and the Group does not have any obligation to perform the agreement nor pay the outstanding balance due to the third party failing to fulfill a pre-condition of the agreements previously reached. As such, no provision is considered necessary and provision for loss has not been made. Please refer to the Prospectus of the Company for further details. As at the data of this announcement, the Company has not received the judgment of the above claim.

SUBSEQUENT EVENTS AFTER REPORTING PERIOD

On 13 July 2016 (the "**Listing Date**"), the Company completed its global offering of shares by issuing 116,000,000 new shares with nominal value of US$0.01 each at HK$1.80 per share. The shares of the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

On 2 August 2016, the over-allotment option under the Company's global offering was partially exercised by the sole global coordinator (on behalf of the international underwriters) in respect of the 2,000,000 additional new shares, representing approximately 1.72% of the offer shares initially available under the global offering. The over-allotment shares were issued and allotted by the Company at HK$1.80 per share, being the offer price per offer share under the global offering. The allotment and issuance of such shares were completed on 5 August 2016.

PROSPECT

With the steady growth of the domestic economy and as China continues to implement policies on capacity reduction and consolidation in the coal industry, coupled with the signs of recovery in the coal industry, the Group will continue to leverage its official consolidator qualification, with which it is permitted to engage in coal mine acquisition and operation in Guizhou Province, to focus on the development, exploitation, sales and acquisition of coal mines with scarce anthracite coal resources featuring high calorific value, low sulphur content and low ash content.

In addition, the Group has signed a strategic cooperation agreement with China University of Mining and Technology (中國礦業大學), commissioned it to conduct laboratory testing on the anthracite coal extracted from the Weishe Coal Mine under the Group, and successfully produced sample active charcoal products of high quality. China University of Mining and Technology has also prepared a feasibility study report on the construction of an active charcoal manufacturing plant. The Group plans to conduct further commercial assessment and analysis on the market supply and demand of active charcoal and the environmental impact of the production process to decide whether it is commercially and financially feasible to carry out the plan to construct the active charcoal manufacturing plant at Weishe Coal Mine. The Group believes that the ability to produce and sell active charcoal will diversify our product mix, extend our coal value chain, tap new sources of revenue, lower the risk from industry volatility and further improve our profitability.

Meanwhile, Guizhou Nanneng Clean Energy Exploration Ltd. (貴州南能清潔能源開發有限公司), established by the Group and Southern Power Grid, has begun operating the Weishe Coal Bed Methane Power Plant, and the Group also plans to establish similar coal bed methane power plants at Lasu Coal Mine, Luozhou Coal Mine and Tiziyan Coal Mine. In addition, the Group considers to seek more opportunities through Guizhou Nanneng Clean Energy Exploration Ltd. to explore and use coal bed methane resources of other coal mines not operated or owned by the Group for power generation.

The Group has been focusing on enhancing operation efficiency by leveraging its comprehensive management system and improving cost control through technological upgrade, and will continue to do so. We also plan to increase the degree of mechanisation and recovery rate and to reduce labour costs through improving our management systems, continued use and development of advanced mining equipment and technology, as well as the adoption of more efficient mining methods.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company was listed on the Stock Exchange on 13 July 2016 and therefore, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the Reporting Period.

USE OF PROCEEDS

As the Company has not received the final bills from some of the professional parties in relation to the listing as of the date of this announcement, the net proceeds from the global offering is estimated to be approximately HK$154.7 million (including the proceeds received pursuant to the exercise of the Over-allotment Option in part), which is intended to be used as disclosed in the Prospectus of the Company.

The Company was listed on the Stock Exchange on 13 July 2016 and therefore, no net proceeds from the global offering were received as of 30 June 2016.

Since the Listing Date and up to the date of this announcement, the Company has not utilized any of the net proceeds from the global offering.

INTERIM DIVIDEND

The Board does not recommend the distribution of any interim dividend for the Reporting Period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Our Directors recognise the importance of good corporate governance in the management of our Group. As the Company has not been listed on the Stock Exchange on 30 June 2016, the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") was not applicable to the Company during the Reporting Period.

The Company has subsequently complied with the code provisions as set out in the CG Code from the Listing Date to the date of this announcement, save and except for the following code provision.

Chairman and Chief Executive

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive of the Company should be performed by separate individuals, but due to Mr. Xu Bo's background, qualifications and experience at the Company, he was considered the most suitable person to take both roles in the current circumstances. The Board believes that it is appropriate and in the best interests of the Company that Mr. Xu Bo holds both positions at the current stage, as it helps to maintain the continuity, the stability and efficiency of the operations of the Company. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-calibre individuals including four independent non-executive Directors offering independent advice from different perspectives. In addition, major decisions are made after consultation with the Board and appropriate Board committee. The Board is therefore of the view that there are adequate balance and safeguards in place.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions.

The Company was listed on the Stock Exchange on 13 July 2016. Therefore, the relevant standards set out in the Model Code were not applicable to the Company during the period from 1 January 2016 to 12 July 2016.

The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have complied with the required standards as set out in the Model Code from the Listing Date to the date of this announcement.

AUDIT COMMITTEE

The Company has an audit committee (the "**Audit Committee**") which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting system, risk management and internal control. The Audit Committee comprises three independent non-executive directors. The members of the Audit Committee are Mr. Fu Lui (chairman), Mr. Jiang Chenglin and Mr. Choy Wing Hang William.

The Audit Committee has reviewed the unaudited interim results for the six months ended 30 June 2016 of the Group. The Audit Committee has also reviewed the effectiveness of the financial control, internal control and risk management systems of the Company.

The interim results of the Group for the Reporting Period are unaudited, but have been reviewed by Deloitte Touche Tohmatsu in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by Independent Auditor of the Entity" issued by the HKICPA.

PUBLICATION OF THE INTERIM RESULTS AND 2016 INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.unienergy.hk), and the 2016 Interim Report will be dispatched to the shareholders of the Company and will be made available on the websites of the Stock Exchange and the Company in due course.

By order of the Board
CHINA UNIENERGY GROUP LIMITED
Xu Bo
Chairman

Guiyang, People's Republic of China
25 August 2016

As at the date of this announcement, the executive directors of the Company are Mr. Xu Bo, Mr. Wei Yue and Mr. Xiao Zhijun; and the independent non-executive directors of the Company are Mr. Jiang Chenglin, Mr. Choy Wing Hang William, Mr. Lee Cheuk Yin Dannis and Mr. Fu Lui.