CHINA UNIENERGY GROUP LIMITED

中国优质能源集团有限公司

(incorporated in the Cayman Islands
with limited liability)
（於開曼群島註冊成立的有限公司）

STOCK CODE 股份代號：1573

2016
Interim Report
中期報告

CONTENTS

Definitions

"Audit Committee"	the Company's 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
"Board"	board of Directors
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Company" or "our Company"	CHINA UNIENERGY GROUP LIMITED, an exempted company with limited liability incorporated in the Cayman Islands on 8 January 2014
"Directors" or "our Directors"	directors of the Company
"Group" or "our Group" or "we" or "our"	our Company and its subsidiaries, or where the context refers to any time prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Listing Date"	13 July 2016, being the date on which the shares of the Company are listed on the Stock Exchange
"Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"PRC"	the People's Republic of China
"Prospectus"	the prospectus of the Company dated 30 June 2016
"Reporting Period"	the six months ended 30 June 2016
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

Company Profile

We are a producer of anthracite coal based in Guizhou Province of the PRC. We engage in the extraction and sale of anthracite coal. We possess scarce anthracite coal resources with the characteristics of high calorific value, low sulphur content and low ash content. Most of our coal products are suitable to be used as chemical coal and PCI coal, as well as for further value-added applications, such as premium quality active charcoal. We are one of the less than 100 qualified consolidators in Guizhou Province that are permitted to engage in coal mine acquisition and operation.

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 8 January 2014 and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 29 April 2016. The shares of the Company were listed on the Stock Exchange on 13 July 2016.

Currently, we have four underground anthracite coal mines, three of which, namely Weishe Coal Mine, Lasu Coal Mine and Luozhou Coal Mine, are in commercial production, and the remaining one, Tiziyan Coal Mine, is under development. We have grown rapidly in recent years, primarily as a result of the technological upgrades of our coal mines, which have led to increased production capacity and improved mechanisation rate of operation and recovery rate.

Corporate Information

Executive Directors

Mr. Xu Bo
Mr. Wei Yue
Mr. Xiao Zhijun

Independent Non-executive Directors

Mr. Jiang Chenglin
Mr. Choy Wing Hang William
Mr. Lee Cheuk Yin Dannis
Mr. Fu Lui

Members of the Audit Committee

Mr. Fu Lui *(Chairman)*
Mr. Jiang Chenglin
Mr. Choy Wing Hang William

Members of the Remuneration Committee

Mr. Choy Wing Hang William *(Chairman)*
Mr. Xu Bo
Mr. Lee Cheuk Yin Dannis

Members of the Nomination Committee

Mr. Xu Bo *(Chairman)*
Mr. Choy Wing Hang William
Mr. Lee Cheuk Yin Dannis

Joint Company Secretaries

Mr. Zhang Weizhe
Ms. Kam Mei Ha, Wendy *(FCS (PE), FCIS)*

Authorized Representatives

Mr. Xu Bo
Ms. Kam Mei Ha, Wendy

Registered Office

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in the PRC

31/F, Fuzhong International Plaza
Xinhua Road, Nanming District
Guiyang City, Guizhou Province
China

Principal Place of Business in Hong Kong

Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

Company's Website

www.unienergy.hk

Stock Code

1573

Principal Share Registrar and Transfer Office

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Legal Advisors

as to Hong Kong law:
DLA Piper Hong Kong
17th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

as to PRC law:
Jingtian & Gongcheng
34/F., Tower 3, China Central Place
77 Jianguo Road
Beijing, China

Compliance Advisor

Haitong International Capital Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Auditor

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

Principal Bankers

Shanghai Pudong Development Bank Co., Ltd.
Guiyang Branch*
(上海浦東發展銀行股份有限公司貴陽分行)
20 Yan'an Road Central, Yunyan District
Guiyang City, Guizhou Province
China

Agricultural Bank of China Guizhou Branch
Hezhang Sub-branch*
(中國農業銀行貴州分行赫章縣支行)
654 Qianhe Road, Chenguan Town
Bijie City, Guizhou Province
China

* For identification purpose only

Financial Highlights

The summary of the unaudited interim results of the Group for the Reporting Period and the same period ended 30 June 2015 is set forth as follows:

Results

	Six months ended 30 June	
	2016	2015
	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue	**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	**(33,729)**	(17,917)
Profit and total comprehensive income for the period	**76,481**	54,917
Profit and total comprehensive income for the period attributable to:		
Owners of the Company	**76,481**	54,917
Non-controlling interest	**—**	—
	76,481	54,917
	RMB	RMB
Earnings per share		
Basic	**0.13**	0.09

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

Assets, Liabilities and Equity

	At 30 June 2016	At 31 December 2015
	RMB'000 (unaudited)	RMB'000 (audited)
Non-current assets	**1,249,764**	1,270,556
Current assets	**115,211**	120,002
Current liabilities	**(473,242)**	(467,276)
Non-current liabilities	**(444,443)**	(518,102)
Total equity	**447,290**	405,180

This management discussion and analysis prepared by the Board should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Group for the Reporting Period and notes thereto.

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 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 the National Development and Reform Commission of the PRC, 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 in 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 for the six months ended 30 June 2015 to approximately RMB170.1 million for the Reporting Period. The gross profit margin increased for 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 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 employees 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 in 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 continuous operating cash flows generated from the Group's business, the net proceeds from the Listing and the availability of banking facilities. As of 30 June 2016, the Group had bank balances in the amount of approximately RMB31.8 million (31 December 2015: RMB31.9 million) and unutilised banking facilities in the amount of approximately RMB253.9 million (31 December 2015: RMB176.8 million).

As at 30 June 2016, the Group had bank borrowings of approximately RMB646.1 million (31 December 2015: RMB732.2 million). Bank borrowings carry interest at fixed market rates ranging from 4.79% to 6.60% (31 December 2015: ranging from 5.50% to 6.60%) and are repayable within one to five years (31 December 2015: one to five years) and are denominated in Renminbi.

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. As at 30 June 2016, the Group's cash and cash equivalents amounted to approximately RMB31.8 million (31 December 2015: RMB31.9 million).

The management monitors the utilisation of bank borrowings and ensures compliance with the covenants under the relevant loan.

The Group has not engaged in any foreign currency contract to hedge the potential foreign currency exchange exposure.

Pledge of Assets

As at 30 June 2016, the Group's mining rights with carrying amounts of approximately RMB910 million (31 December 2015: RMB922 million) were pledged as securities for banking facilities.

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 and multiplied by 100%) of the Group was 144.4%, which was lower than that of the Group as at 31 December 2015 mainly as a result of decrease in total bank borrowings from approximately RMB723.2 million as at 31 December 2015 to approximately RMB646.1 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 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 licences 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 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 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 licence 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 fulfil 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 date of this Interim Report, the Company has not received the judgment of the above claim.

Significant Investment Held

There was no other significant investment held by the Company during the Reporting Period.

Acquisition and Disposal

There was no other material acquisition or disposal during the Reporting Period.

Subsequent Events after the Reporting Period

On 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.

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.

Compliance with the CG 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 CG Code 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 Interim Report, 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 in the Company, he was considered the most suitable person to take up 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

The Company has adopted the Model Code 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 Interim Report.

Interim Dividend

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

Review of Financial Statements

The Audit Committee together with management have reviewed the unaudited interim condensed consolidated financial statements of the Group for the Reporting Period. The Audit Committee has also reviewed the effectiveness of the financial control, internal control and risk management systems of the Company.

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 Interim Report, 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 Interim Report, the Company has not utilized any of the net proceeds from the global offering.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2016, the shares of the Company had not yet been listed on the Stock Exchange. The respective Divisions 7 and 8 of Part XV of the SFO, Section 352 of the SFO and the Model Code were not applicable.

As at the Listing Date, the following Directors of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required to be entered in the register under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code:

(i) The Company

Name of Director	Nature of Interest	Number of Shares[1]	Approximate Percentage of Shareholding Interest
Xu Bo[2]	Interest in controlled corporation; Interest of spouse	360,000,000(L)	50.28%
Xiao Zhijun[3]	Interest in controlled corporation	90,000,000(L)	12.57%

Notes:

1. The letter "L" denotes long position in the shares.

2. Pursuant to the declaration of trust dated 11 April 2016 executed by Ms. Dai Ling, being one of the Company's controlling shareholders and the spouse of Mr. Xu Bo, Ms. Dai Ling, as the sole legal owner of all the issued shares of Lavender Row Limited, holds the beneficial interest of all the issued shares of Lavender Row Limited in trust for the benefit of the family comprising Mr. Xu Bo, Ms. Dai Ling and their children ("Xu Family"). Accordingly, Mr. Xu Bo is deemed to be interested in the shares of the Company held by Lavender Row Limited by virtue of the SFO.

3. As the entire issued share capital of Noble Fox Holdings Limited is held by Mr. Xiao Zhijun, Mr. Xiao Zhijun is deemed to be interested in the shares of the Company held by Noble Fox Holdings Limited under the SFO.

(ii) Associated Corporation

Lavender Row Limited

Name of Director	Nature of Interest	Number of Shares[1]	Approximate Percentage of Shareholding Interest
Xu Bo[2]	Beneficial owner; Interest of spouse	50,000(L)	100%

Notes:

1. The letter "L" denotes long position in the shares.
2. These shares are held by Ms. Dai Ling in trust for the benefit of Xu Family including Mr. Xu Bo.

As at the Listing Date, save as disclosed above, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which would otherwise be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2016, the shares of the Company had not yet been listed on the Stock Exchange. The respective Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable.

As at the Listing Date, to the best of the knowledge of the Company and the Directors, the following persons (other than Directors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register under section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares[1]	Approximate Percentage of Shareholding Interest
Lavender Row Limited	Beneficial owner	360,000,000(L)	50.28%
Dai Ling[2]	Interest in controlled corporation; Interest of spouse	360,000,000(L)	50.28%
Noble Fox Holdings Limited	Beneficial owner	90,000,000(L)	12.57%
Moonfun Miracle Limited	Beneficial owner	87,000,000(L)	12.15%
Ma Dang[3]	Interest in controlled corporation	87,000,000(L)	12.15%

Notes:

1. The letter "L" denotes long position in the shares.

2. Ms. Dai Ling is the sole legal owner of all the issued shares of Lavender Row Limited, holding such shares in trust for the benefit of Xu Family including her spouse, Mr. Xu Bo who is an executive Director and the Chairman of the Company. Accordingly, Ms. Dai Ling is deemed to be interested in the shares of the Company held by Lavender Row Limited by virtue of the SFO.

3. As the entire issued share capital of Moonfun Miracle Limited is held by Mr. Ma Dang, Mr. Ma Dang is deemed to be interested in the shares of the Company held by Moonfun Miracle Limited under the SFO.

As at the Listing Date, save as disclosed above, the Company was not aware of any other person (other than the Directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are required to be entered in the register under section 336 of the SFO.

The following table sets forth certain information relating to each of the Group's coal mines as at the date of this report:

	In commercial production			*Under development*
	Weishe Coal Mine	*Lasu Coal Mine*	*Luozhou Coal Mine*	*Tiziyan Coal Mine*
Location (within Guizhou Province, the PRC)	Yutang village, WeisheTownship, Hezhang County	Minxiang village, Liuquhe Township, Hezhang County	Shishan village, Luozhou Township, Hezhang County	Caomen Village, Huangni Township, Dafang County, Bijie City
Equity interest held by the Group	100%	100%	100%	100%
Date of initial/expected commercial production	23 October 2012	17 March 2014	17 February 2013	April 2019
Mining area (square kilometres)	1.9	4.8 (Note 1)	2.3	6.9
Number of mineable	5	4	5	6
Designed annual production capacity (tonnes)	450,000	450,000	450,000	900,000
Permitted annual production capacity under trial run (tonnes) (Note 2)	450,000	450,000	450,000	N/A
Permitted annual production capacity (tonnes) (Note 3)	450,000	300,000	150,000	450,000
Expiry date of the mining right	June 2026	December 2021	April 2017	January 2030
Reserve data (as at 15 February 2016) (Note 4)				
Proved reserve (million tonnes)	7.6	6.9	0.0	8.9
Probable reserve (million tonnes)	2.0	5.0	15.4	34.1
Total proved and probable reserve(million tonnes)	9.6	11.9	15.4	43.0
Average coal quality of raw coal				
Moisture (%)	3~8	3~8	3~8	3~8
Ash content (%)	23	23	30	32
Volatile matter (%)	6.6	6.5	6.2	5.9
Sulphur (%)	0.6	0.7	1.1	2.2
Calorific value (MJ/kg)	27	27	24	24
Density (tonnes/m^3)	1.5	1.5	1.6	1.67
Reserve data (as at 30 June 2016) (Note 5)				
Proved reserve (million tonnes)	7.452	6.746	0.0	8.9
Probable reserve (million tonnes)	2.0	5.0	15.261	34.1
Total proved and probable reserve (million tonnes)	9.452	11.746	15.261	43.0
Capital expenditure for the six months ended 30 June 2016 (RMB in millions)	0.24	0.1	0.14	0.0
Output - pilot run for the six months ended 30 June 2016 (million tonnes)	N/A	N/A	N/A	N/A
Output - commercial run for the six months ended 30 June 2016 (million tonnes) (Note 6)	0.1834	0.1856	0.1724	N/A

Notes:

(1) 4.8 sq.km. is the reserved mining area of Lasu Coal Mine, which includes its licensed mining area of 1.6 sq.km..

(2) Although the permitted annual production capacity specified in each of the current mining licenses of Lasu Coal Mine and Luozhou Coal Mine is still at their initial level, these two coal mines obtained the approval from Guizhou Energy Administration for joint trial run at the new annual production capacity of 450,000 tonnes on 12 January 2016 and 10 December 2015, respectively. These two mines have been under joint trial run at the increased capacity since then and we expect to obtain the new mining licenses with the increased permitted annual production capacity in late 2016.

(3) The annual production capacity in relation to relevant mining licenses, of which Weishe Mine has obtained the mining lisence with permitted annual production capacity of 450,000 tonnes on 23 June 2016.

(4) The reserve data as of 15 February 2016 are extracted from the Competent Person's Report prepared by SRK Consuliting China Limited in June 2016 in accordance with the JORC Code.

(5) The reserve data as of 30 June 2016 has been adjusted by deducting the reserve data collected from the Group's mining activities from 16 February 2016 to 30 June 2016 from data of proved reserve and probable reserve as of 15 February 2016.

(6) The data of mining activities of the Group as of 30 June 2016.

Report on Review of Condensed Consolidated Financial Statements

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF CHINA UNIENERGY GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of CHINA UNIENERGY GROUP LIMITED (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 18 to 33, which comprise the condensed consolidated statement of financial position as at 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing 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 Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by Independent Auditor of the Entity" ("HKSRE 2410") issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries 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 Hong Kong 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period ended 30 June 2015 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 August 2016

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 RMB'000 (unaudited)	2015 RMB'000 (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	4	(22,555)	(19,959)
Share of (loss) profit of a joint venture		(134)	75
Profit before taxation		110,210	72,834
Income tax expense	5	(33,729)	(17,917)
Profit and total comprehensive income for the period	6	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	8	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	9	303,281	312,695
Mining rights	9	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	10	81,246	86,290
Bank balances		31,820	31,895
		115,211	120,002
Current liabilities			
Trade and other payables	11	215,951	201,597
Provision for restoration and environmental costs		1,488	1,850
Tax payables		23,503	25,529
Bank borrowings - current portion	12	232,300	238,300
		473,242	467,276
Net current liabilities		(358,031)	(347,274)
Total assets less current liabilities		891,733	923,282

At 30 June 2016

	NOTES	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Capital and reserves			
Share capital/paid-in capital	13	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	12	413,750	484,900
Deferred tax liabilities		13,317	15,121
		444,443	518,102
		891,733	923,282

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Equity attributable to owners of the Company					
	Paid-in capital/ share capital	Statutory reserve	Retained profits	Total	Non-controlling interests	Total
	RMB'000	RMB'000 (note i)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015 (audited)	35,000	18,189	191,526	244,715	2,997	247,712
Profit and total comprehensive income for the period	—	—	54,917	54,917	—	54,917
Transfer to statutory reserve	—	4,701	(4,701)	—	—	—
At 30 June 2015 (unaudited)	35,000	22,890	241,742	299,632	2,997	302,629
At 1 January 2016 (audited)	35,000	32,371	337,809	405,180	—	405,180
Profit and total comprehensive income for the period	—	—	76,481	76,481	—	76,481
Effect of reorganisation (note ii)	(35,000)	—	—	(35,000)	—	(35,000)
Acquisition of the Company (note 13(i))	305	—	—	305	—	305
Issue of new shares by the Company (note 13(iii))	324	—	—	324	—	324
Transfer to statutory reserve	—	10,660	(10,660)	—	—	—
At 30 June 2016 (unaudited)	629	43,031	403,630	447,290	—	447,290

Notes:

i. According to the relevant requirements in the memorandum of association of 貴州優能(集團)礦業股份有限公司 ("Guizhou Union"), a wholly owned subsidiary of the Group established in the People's Republic of China (the "PRC"), a portion of its profits after taxation has to be transferred to the statutory reserve. The transfer to this reserve must be made before the distribution of a dividend to the equity owners. The transfer can be ceased when balance of the reserve reaches 50% of the registered capital of Guizhou Union. The reserve can be applied either to set off accumulated losses or to increase capital.

ii. Upon execution of a group reorganisation for the purpose of the Company's listing as set out in note 1, the Company acquired the entire 100% equity interest in the major operating subsidiary, Guizhou Union, through acquisition of two investment holding vehicles, for a total consideration of approximately RMB35 million. The consideration paid to the then shareholders (who subsequently became the shareholders of the Company) was deemed as distribution to the shareholders.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	RMB'000 (unaudited)	RMB'000 (unaudited)
NET CASH FROM OPERATING ACTIVITIES	**132,323**	76,739
INVESTING ACTIVITIES		
Government grants received	**2,000**	—
Interest received	**68**	171
Purchases of property, plant and equipment	**(455)**	(3,468)
Additions to mining rights	**(225)**	(4,624)
Deposits paid for acquisition of property, plant and equipment	**—**	(1,200)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**1,388**	(9,121)
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(167,150)**	(102,150)
Repayment to directors	**(40,955)**	—
Deemed distribution to shareholders	**(35,000)**	—
Interest paid on bank borrowings	**(21,636)**	(18,899)
New bank borrowings raised	**90,000**	96,000
Advance from directors	**40,955**	—
Repayment to shareholders	**—**	(41,010)
Repayment to a director of Guizhou Union	**—**	(4,000)
NET CASH USED IN FINANCING ACTIVITIES	**(133,786)**	(70,059)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(75)**	(2,441)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**31,895**	37,591
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances	**31,820**	35,150

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.

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

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.

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.

2. PRINCIPAL ACCOUNTING POLICIES - continued

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 PRC. The following is an analysis of the Group's revenue in the reporting periods.

	Six months ended 30 June	
	2016	2015
	RMB'000 (unaudited)	RMB'000 (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. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	RMB'000 (unaudited)	RMB'000 (unaudited)
Interest expenses on bank borrowings	**21,355**	18,758
Interest on resources fees payable	**712**	888
Accretion expenses	**488**	313
	22,555	19,959

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000 (unaudited)	RMB'000 (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.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2016	2015
	RMB'000 **(unaudited)**	RMB'000 (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)

7. DIVIDEND

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

8. 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 **(unaudited)**	RMB'000 (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

8. EARNINGS PER SHARE - continued

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 as disclosed in notes 13 and 17 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.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND MINING RIGHTS

During the six months ended 30 June 2016, the Group had additions to property, plant and equipment amounted to RMB91,000 (six months ended 30 June 2015: RMB3,965,000).

In addition, the Group had additions to mining rights amounted to RMB225,000 during the six months ended 30 June 2016 (six months ended 30 June 2015: RMB4,624,000) and received one-off and unconditional government grants of RMB2,000,000 (six months ended 30 June 2015: Nil) from the local government authority as an incentive to the Group for the closure of not up-to-standard coal mines in the PRC for the purpose of upgrading the Group's annual production capacity, which are recognised as a deduction from the cost of the relevant mining rights.

As at 30 June 2016 and 31 December 2015, the Group had pledged its mining rights with carrying amounts of approximately RMB910 million and RMB922 million, respectively, to secure banking facilities granted to the Group.

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2016	At 31 December 2015
	RMB'000 (unaudited)	RMB'000 (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.

10. TRADE AND OTHER RECEIVABLES - continued

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

11. TRADE AND OTHER PAYABLES

	At 30 June 2016	At 31 December 2015
	RMB'000 (unaudited)	RMB'000 (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 review report, the approval is yet to obtain.

11. TRADE AND OTHER PAYABLES - continued

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

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

12. BANK BORROWINGS

During the current interim period, the Group obtained new bank borrowings amounting to RMB90,000,000 (six months ended 30 June 2015: RMB96,000,000) and repaid bank borrowings of approximately RMB167 million (six months ended 30 June 2015: RMB102 million). The borrowings 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.

Details of the assets pledged for the bank borrowings are further set out in note 9.

13. SHARE CAPITAL/PAID-IN CAPITAL

At 30 June 2016

	Number of shares	Amount
		US$
Authorised:		
Ordinary shares of US$1.00 each upon acquisition of the Company (note i)	50,000	50,000
Subdivision of shares (note ii)	4,950,000	—
Increase during the period (note ii)	4,995,000,000	49,950,000
Ordinary shares of US$0.01 each as at 30 June 2016	5,000,000,000	50,000,000
Issued and fully paid:		
Ordinary shares of US$1.00 each upon acquisition of the Company (note i)	50,000	50,000
Subdivision of shares (note ii)	4,950,000	—
Issue of new shares (note iii)	5,000,000	50,000
Ordinary shares of US$0.01 each as at 30 June 2016	10,000,000	100,000

	RMB'000
Shown in the condensed consolidated financial statements as	629

13. SHARE CAPITAL/PAID-IN CAPITAL - continued

At 30 June 2016 - continued

Notes:

(i) The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 January 2014. The initial authorised share capital of the Company was US$50,000 divided into 50,000 shares of US$1.00 each. Upon incorporation, 50,000 shares, representing the entire issued share capital of the Company, were issued at par to and held by an independent third party and subsequently transferred to Lavender Row Limited, a limited liability company wholly owned by Ms. Dai (the spouse of Mr. Xu Bo, controlling shareholder of the Company) ("Dai BVI"), on 29 March 2016.

(ii) On 15 April 2016, each of the 50,000 shares with par value of US$1.00 each in the authorised share capital of the Company was subdivided into 100 shares with par value of US$0.01 each, resulting in an authorised share capital of the Company of US$50,000 consisting of 5,000,000 shares. Immediately following the subdivision, the authorised share capital of the Company was further increased from US$50,000 consisting of 5,000,000 shares to US$50,000,000 consisting of 5,000,000,000 shares.

(iii) On 15 April 2016, the Company issued and allotted 1,000,000, 1,450,000, 1,500,000, 500,000, 250,000, 200,000, 100,000 shares representing 10.0%, 14.5%, 15.0%, 5.0%, 2.5%, 2.0% and 1.0% of the then issued share capital of the Company, respectively, to Dai BVI, Moonfun Miracle Limited, Noble Fox Holdings Limited, Hidden Goals Limited, Angelzone Holdings Limited, Jubilee One Limited and Fortune Dynamic Investment Limited, at par for a total consideration of US$50,000.

At 1 January and 31 December 2015

At 1 January and 31 December 2015, the amount represented the combined amount of paid-in capital of Union Investment of RMB30,000,000 and half of the paid-in capital of Guizhou Ruilian of RMB5,000,000.

14. CONTINGENT LIABILITIES

During the six months ended 30 June 2016, the Group entered into supplemental agreements, in relation to the five conditional asset transfer agreements as detailed in note 34 to the financial information set out in Appendix I to the Prospectus, 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, the directors and shareholders of the Company 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, having consulted its legal advisors, continues to consider that contingent liabilities adhered to those agreements are remote and yet to estimate reliably and no provision is considered necessary in accordance with Hong Kong Accounting Standard 37 "Provisions, Contingent Liabilities and Contingent Assets".

15. OPERATING LEASE COMMITMENTS

The Group as lessee

	Six months ended 30 June	
	2016	2015
	RMB'000 (unaudited)	RMB'000 (unaudited)
Minimum lease payments paid under operating leases during the period	**686**	546

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 June 2016	At 31 December 2015
	RMB'000 (unaudited)	RMB'000 (audited)
Within one year	**1,392**	1,381
In the second to fifth year inclusive	**3,485**	4,176
	4,877	5,557

Operating lease payments represent rentals payable by the Group for certain of its office properties and staff quarters. Leases are negotiated for terms ranging from three to five years.

16. RELATED PARTY DISCLOSURES

(a) Transactions/balances

During the six months ended 30 June 2016 and 2015, the Group entered into the following transactions with related parties:

	Six months ended 30 June	
	2016	2015
	RMB'000 (unaudited)	RMB'000 (unaudited)
Joint venture		
Sale of coalbed methane by the Group	**13**	83
Purchase of electricity by the Group	**97**	648

There were no significant related party balances as at 30 June 2016 and 31 December 2015.

16. RELATED PARTY DISCLOSURES - continued

(b) Compensation of key management personnel

The emoluments of the directors and other members of key management of the Group during the period are as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000 (unaudited)	RMB'000 (unaudited)
Salaries and other allowances	**474**	396
Retirement benefits scheme contribution	**22**	18
	496	414

17. 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.

CHINA
UNIENERGY
GROUP LIMITED

中国优质能源
集团有限公司