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

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
Stock Code : 01898

# INTERIM REPORT
# 2017

# Contents



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

# Chairman's Statement

Dear Shareholders,

On behalf of the Board, I hereby present the 2017 interim report to all Shareholders. Since the beginning of 2017, amid a stable and favourable trend of macro economy and the comprehensive implementation of the supply-side structural reform in China, coal market exceeded expectation and the coal industry saw a gradual recovery in profit-making. Seizing such market opportunities, the Company vigorously focused on quality enhancement and efficiency improvement, strengthened operation management, promoted reform and adjustment, and accordingly recorded a significant increase in economic benefits. During the reporting period, the Company achieved operating revenue of RMB37.1 billion, representing a year-on-year increase of 41.1%. The profit before income tax amounted to RMB4.62 billion, representing a year-on-year increase of RMB4.33 billion. The profit attributable to the equity holders of the Company was RMB2.28 billion, representing a year-on-year increase of RMB2.06 billion. I would like to extend my sincere gratitude to all Shareholders and the general public for their interest in and support for the Company.

In the first half of 2017, the Company did the following main work:

A stable production and operation was maintained by organising production and sales scientifically. In the first half of 2017, overcoming a number of difficulties and pressures in organising coal production, the Company kept optimising production layout, spared no efforts in arrangement of coal production, and thus achieved a production volume of commercial coal of 38.24 million tonnes. Closely in line with market changes, the Company enhanced judgement and study of market conditions, made prompt adjustment to its sales strategy and optimised market flow, thereby achieving a sales volume of coal of 60.58 million tonnes. With respect to coal chemicals, the Company strengthened the production optimisation and elimination of systems defects, enhanced production load and innovated sales mode to increase market sales. While completing the scheduled overhaul of facilities, the Company maintained a balance between production and sales of coal chemicals, and achieved an output of 303,000 tonnes of polyolefin and an output of 958,000 tonnes of urea. With respect to coal mining equipment, leveraging on the market recovery, the Company consolidated its market share, extended the industrial chain and actively developed non-coal market. As a result, the contract amount of equipment increased by 79.9% year-on-year, and the production volume of coal mining equipment increased by 40.9% year-on-year.

Notable improvement was achieved in operation quality by reinforcing lean management. The Company strived to reduce cost and tap potentials through strictly implementing budget, strengthening operational maintenance of equipment and building up control over energy and materials consumption, and accordingly maintained leading positions in the industries in terms of cost of coal and coal chemical products. Great efforts were made to promote the quality enhancement and efficiency of coal blending, and optimise product portfolio, so as to enhance profit-making capability. Through actively developing new coal chemical products, successfully promoting new grade products and vigorously exploring new markets, the Company increased its market shares of coal chemical products and the brand influence of China Coal Energy. By enhancing capital management and the efficiency of capital operation, the Company achieved significant improvement in the turnover of account receivables and inventory. Leveraging on the advantage of centralised capital management, the Company broadened financing channels to optimise debt structure and rationally controlled the debt scale, so that the net finance costs decreased by 22.4% year-on-year and the debt asset ratio decreased by 3.4 percentage points year-on-year. Operating cash flow continued to improve with a net inflow of RMB5.34 billion, representing a year-on-year increase of RMB2.36 billion or 79.1%.

# Chairman's Statement

With transformation and upgrading being accelerated, the industrial structure was continuously optimised. Seizing the policy opportunities, the Company accelerated the handling of preliminary formalities for key projects. The Muduchaideng coal mine and the Nalin River No.2 coal mine possessed the conditions for approval. Basically completing the construction, Menkeqing coal mine and the Hulusu coal mine proceeded into the stage of safety trial operation. The construction of large-scale pit mouth coal-fired power plants and low calorific value coal power plants progressed in an orderly manner. With the establishment of specialized management unit in charge of the coordination of power generation operations, the management and control system was further optimised. Mengda Engineering Plastics Project was officially put into production on 1 August after a stable trial operation with high load. With project construction being basically completed, the Ordos Olefin Project was put into trial production. As the Company consolidated its coal sales and logistics systems in Ordos region, the dedicated railway in Hujierte mining area was put into operation. The Company's industrial structure will be further optimised with the operation of a number of coal chemical projects and steady progress of power generation projects.

Sticking to scientific development, new achievements were obtained in safety, environment protection and innovation. The Company kept improving its safety management system and set up the dual prevention mechanism for hierarchical control of safety risks, identification and elimination of hidden risks. By carrying out business discussion and special consultation, ensuring safety investment, upgrading the equipment and improving working conditions, the Company increased its safety guarantee capability, effectively prevented major safety risks and achieved safe production. In line with the core vision of "Green China Coal and Cares for the Nature", the Company continued to promote the clean and efficient development, conversion and utilisation of coal, proactively implemented the technological renovation in energy conservation technologies, upgrading and renovation in environmental protection governance, and attached great importance to ecological construction and environmental protection. As a result, a number of key indicators such as recovery rate of coal resources, comprehensive energy consumption and pollutants discharge of the Company stood at the forefront of the industry. In addition, the Company focused on technological breakthroughs and promoted technological progresses and commercialisation of achievements through technological innovation, thus further consolidating and enhancing the capability of the Company in terms of productivity, resources recovery and safety protection.

At present, key economic indicators continues to improve in China. GDP grows 6.9% year-on-year; PMI maintains at a level of above 51%; and overall power consumption in China rises 6.3% year-on-year, demonstrating a stable and favourable trend of macro economy. Driven by economic fundamentals, the overall coal consumption in China turns from negative growth to a year-on-year growth of approximately 1%, due to the gradual recovery of coal demand from steel and power generation industries. Meanwhile, with the implementation of relevant policies of cutting coal overcapacity, ensuring coal supply and stabilising coal price, it is expected that the coal market will see a basically stable supply and demand for a certain period in the future and the coal price will hover within a reasonable range. In recent years, China Coal Group, the controlling shareholder of the Company, has been proactively engaging itself in the consolidation of coal resources of the central state-owned enterprise by leveraging its management advantages as a specialised coal enterprise, and since 2016 has gradually taken over coal assets and related businesses from some central state-owned enterprises, which has expanded its scale and strength as well as promoted the synergetic development of the coal-electricity integration and optimisation of regional business layout. By capitalising on the historical opportunities of reform and development, the Company will speed up the business adjustment, transformation and upgrade, and strive to become a clean energy supplier with relatively strong international competitiveness.

# Chairman's Statement

In the second half of 2017, focusing on the annual targets for production and operations in compliance with the general requirement of "quality improvement amid stability with reform and innovation", the Company will make great efforts in safe production, enhance smooth connection between production and sales and endeavour to solve the prominent problems in production and operation. While being more market-oriented, the Company will optimise its product portfolio and comprehensively tap the market potentials. Meanwhile, the Company will spare no efforts in tapping potentials and enhancing efficiency with strict control over cost and expenses, so as to improve the profitability. Cash flow management will be enhanced to improve operation quality and consolidate the profit-making foundations. In addition, by accelerating construction of key projects and deepening reform and innovation, the Company will continue to promote its transformation and upgrading. The great tide of reform surges and it is the right time to hoist the sail when the wind is strong. While consolidating the operating results and achievements made in the first half of 2017, the management and all employees of the Company will go all out to solidly promote reform and development and other work with great enthusiasm, and strive to accomplish the tasks set for the whole year, so as to make new contribution to the sustainable and healthy development of the Company.

Li Yanjiang
*Chairman*
Beijing, the PRC
23 August 2017

# Management Discussion and Analysis of Financial Conditions and Operating Results

The following discussion and analysis should be read in conjunction with the Group's reviewed financial statements and the notes thereto. The Group's interim financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

## I. OVERVIEW

In the first half of 2017, amid a more obvious trend of a stable and favourable macro economy and the comprehensive implementation of the supply-side structural reform in China, coal price maintained at a relatively high level. With a focus on improving quality, efficiency and core competitiveness, the Group, seizing the opportunities of market recovery, actively expanded the market, scientifically organised production, strengthened cost control, optimised product portfolio, consolidated the foundation of operation, enhanced operation efficiency, and thus witnessed a significant increase in revenue and profit as well as a comprehensive improvement in operation quality. For the six months ended 30 June 2017, the Group's total revenue (net of inter-segmental sales) amounted to RMB37.104 billion, representing a year-on-year increase of RMB10.803 billion or 41.1%; profit before income tax amounted to RMB4.619 billion, representing a year-on-year increase of RMB4.328 billion; profit attributable to the equity holders of the Company amounted to RMB2.280 billion, representing a year-on-year increase of RMB2.055 billion; basic earnings per share amounted to RMB0.17, representing a year-on-year increase of RMB0.15; and net cash generated from operating activities was RMB5.336 billion, representing a year-on-year increase of RMB2.356 billion or 79.1%. Meanwhile, The Group optimised capital structure and reasonably controlled the debt scale, so that the debt asset ratio decreased by 0.8 percentage point to 57.1% as compared to the beginning of 2017, further improving the financial soundness.

*Unit: RMB100 million*

| | **For the six months ended 30 June 2017** | For the six months ended 30 June 2016 | **Increase/decrease** Increase/ decrease in amount | Increase/ decrease *(%)* |
|---|---|---|---|---|
| Revenue | **371.04** | 263.01 | 108.03 | 41.1 |
| Profit before income tax | **46.19** | 2.91 | 43.28 | 1,487.3 |
| EBITDA | **91.24** | 53.86 | 37.38 | 69.4 |
| Profit attributable to the equity holders of the Company | **22.80** | 2.25 | 20.55 | 913.3 |
| Net cash generated from operating activities | **53.36** | 29.80 | 23.56 | 79.1 |

As at 30 June 2017, the gearing ratio (total interest-bearing debts/(total interest-bearing debts + equity)) of the Group was 47.7%, representing a decrease of 0.5 percentage point from 48.2% at the beginning of 2017.

*Unit: RMB100 million*

| | | | **Increase/decrease** | |
|---|---|---|---|---|
| | **As at 30 June 2017** | As at 31 December 2016 | Increase/ decrease in amount | Increase/ decrease in percentage (%) |
| Assets | **2,441.03** | 2,426.58 | 14.45 | 0.6 |
| Liabilities | **1,394.44** | 1,405.44 | -11.00 | -0.8 |
| Interest-bearing debts | **954.54** | 951.32 | 3.22 | 0.3 |
| Equity | **1,046.59** | 1,021.14 | 25.45 | 2.5 |
| Equity attributable to the equity holders of the Company | **878.19** | 860.47 | 17.72 | 2.1 |

## II. OPERATING RESULTS

### (1) Consolidated operating results

#### *1. Revenue*

For the six months ended 30 June 2017, the Group's revenue (net of inter-segmental sales) increased from RMB26.301 billion for the six months ended 30 June 2016 to RMB37.104 billion, representing a year-on-year increase of RMB10.803 billion or 41.1%, which was mainly because the revenue from external sales of coal operations recorded a year-on-year increase of RMB11.497 billion due to the significant year-on-year increase in the selling price of coal; external sales revenue of coal chemical operations recorded a year-on-year decrease of RMB1.023 billion due to the overlapping effects of equipment overhaul during the reporting period and the transfer of subsidiaries in 2016; the external sales revenue of coal mining equipment operations recorded a year-on-year increase of RMB572 million due to the increase in sales volume of products amid a market recovery.

# Management Discussion and Analysis of Financial Conditions and Operating Results

Revenue net of inter-segmental sales from each operating segment of the Group for the six months ended 30 June 2017 and the changes as compared to the same period of 2016 are set out as follows:

*Unit: RMB100 million*

| | **Revenue net of inter-segmental sales** | | **Increase/decrease** | |
|---|---|---|---|---|
| | **For the six months ended 30 June 2017** | For the six months ended 30 June 2016 | Increase/ decrease in amount | Increase/ decrease (%) |
| Coal operations | **294.42** | 179.45 | 114.97 | 64.1 |
| Coal chemical operations | **45.63** | 55.86 | -10.23 | -18.3 |
| Coal mining equipment operations | **23.49** | 17.77 | 5.72 | 32.2 |
| Financial operations and other operations | **7.50** | 9.93 | -2.43 | -24.5 |
| Total | **371.04** | 263.01 | 108.03 | 41.1 |

The proportion of revenue net of inter-segmental sales generated by each operating segment of the Group in the Group's total revenue for the six months ended 30 June 2017 and the changes as compared to the same period of 2016 are set out as follows:

| | **Proportion of revenue net of inter-segmental sales (%)** | | |
|---|---|---|---|
| | **For the six months ended 30 June 2017** | For the six months ended 30 June 2016 | Increase/ decrease in *(percentage point(s))* |
| Coal operations | **79.3** | 68.2 | 11.1 |
| Coal chemical operations | **12.3** | 21.2 | -8.9 |
| Coal mining equipment operations | **6.3** | 6.8 | -0.5 |
| Financial operations and other operations | **2.1** | 3.8 | -1.7 |

### 2. *Cost of sales*

For the six months ended 30 June 2017, the Group's cost of sales increased from RM23.304 billion for the six months ended 30 June 2016 to RMB28.598 billion, representing an increase of 22.7%.

Materials used and goods traded costs increased by 31.7% from RMB11.052 billion for the six months ended 30 June 2016 to RMB14.551 billion. The materials used and goods traded costs for coal operations increased year-on-year by RMB4.196 billion, which was attributable to an increase of RMB3.987 billion in the costs of proprietary coal trading as a result of the year-on-year increase in coal procurement price and a year-on-year increase of RMB209 million in the materials costs of self-produced commercial coal due to factors such as the increased investment by coal production enterprises in production safety and the price rise in raw materials such as diesel. The materials costs of coal chemical operations recorded a year-on-year decrease of RMB525 million, which was mainly attributable to the transfer of subsidiaries in 2016. The materials costs of coal mining equipment operations recorded a year-on-year increase of RMB500 million due to the increase in sales volume of products amid a market recovery.

Staff costs decreased by 9.2% from RMB1.874 billion for the six months ended 30 June 2016 to RMB1.701 billion, which was mainly attributable to the year-on-year decrease in labour costs as a result of, among others, the Group's diminution on gross manpower by proactively implementing policies of "cutting overcapacity" and "leaner and healthier development" and the transfer of subsidiaries in 2016.

Depreciation and amortisation costs decreased by 6.3% from RMB3.085 billion for the six months ended 30 June 2016 to RMB2.892 billion, which was mainly attributable to, among others, the transfer of subsidiaries of the Group in 2016 and the year-on-year decrease in production volume of self-produced commercial coal during the reporting period, which led to the year-on-year decrease in the depreciation and amortization costs.

Repairs and maintenance costs increased by 76.2% from RMB382 million for the six months ended 30 June 2016 to RMB673 million, which was mainly attributable to the strengthening of equipment repair and maintenance by the coal production enterprises of the Group, and the equipment overhaul of coal chemical companies, which led to the year-on-year increase in the repairs and maintenance costs.

Transportation costs and port expenses increased by 12.6% from RMB4.167 billion for the six months ended 30 June 2016 to RMB4.692 billion, which was mainly attributable to the year-on-year increase in the transportation costs for the proprietary coal trading of the Group.

Sales taxes and surcharges increased by 76.9% from RMB648 million for the six months ended 30 June 2016 to RMB1.146 billion, which was mainly attributable to a year-on-year increase of RMB551 million in resources tax, urban maintenance and construction tax and education surcharge as a result of the significant year-on-year increase in the sales revenue of coal amid a market upturn.

Outsourcing mining engineering fees for coal mines increased by 99.7% from RMB300 million for the six months ended 30 June 2016 to RMB599 million, which was mainly attributable to the increase in the outsourcing mining engineering volume of the coal production enterprises of the Group.

Other costs increased by 30.5% from RMB1.796 billion for the six months ended 30 June 2016 to RMB2.344 billion, which was mainly attributable to the year-on-year increase in the small and medium mining project expenditure and auxiliary production expenses of the coal producing enterprises of the Group.

### *3. Gross profit and gross profit margin*

For the six months ended 30 June 2017, gross profit of the Group increased from RMB2.997 billion for the six months ended 30 June 2016 to RMB8.506 billion, representing an increase of 183.8%; and gross profit margin increased from 11.4% for the six months ended 30 June 2016 to 22.9%, representing an increase of 11.5 percentage points.

The gross profit and gross profit margin of each of the Group's operating segments for the six months ended 30 June 2017 and the changes as compared to the same period of 2016 are as follows:

*Unit: RMB100 million*

| | **Gross profit** | | | **Gross profit margin (%)** | | |
|---|---|---|---|---|---|---|
| | **For the six months ended 30 June 2017** | For the six months ended 30 June 2016 | Increase/ decrease (%) | **For the six months ended 30 June 2017** | For the six months ended 30 June 2016 | Increase/ decrease *(Percentage point(s))* |
| Coal operations | **74.35** | 11.80 | 530.1 | **24.1** | 6.3 | 17.8 |
| Self-produced commercial coal | **73.12** | 10.73 | 581.5 | **38.5** | 9.3 | 29.2 |
| Proprietary coal trading | **1.17** | 0.54 | 116.7 | **1.0** | 0.8 | 0.2 |
| Coal chemical operations | **8.80** | 13.00 | -32.3 | **19.2** | 23.2 | -4.0 |
| Coal mining equipment operations | **2.68** | 3.54 | -24.3 | **10.8** | 18.3 | -7.5 |
| Financial operations and other operations | **0.07** | 1.50 | -95.3 | **0.7** | 11.2 | -10.5 |
| **Group** | **85.06** | 29.97 | 183.8 | **22.9** | 11.4 | 11.5 |

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

## (2) Operating results of segments

### *1. Coal segment*

- *Revenue*

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

For the six months ended 30 June 2017, the total revenue from coal operations of the Group increased from RMB18.700 billion for the six months ended 30 June 2016 to RMB30.810 billion, representing an increase of 64.8%; revenue net of inter-segmental sales increased from RMB17.945 billion for the six months ended 30 June 2016 to RMB29.442 billion, representing an increase of 64.1%.

For the six months ended 30 June 2017, revenue from sales of self-produced commercial coal of the Group increased from RMB11.585 billion for the six months ended 30 June 2016 to RMB18.982 billion, representing an increase of 63.8%. Revenue net of inter-segmental sales increased from RMB11.452 billion for the six months ended 30 June 2016 to RMB18.799 billion, representing an increase of 64.2%; of which revenue from thermal coal was RMB14.590 billion, representing a year-on-year increase of RMB4.934 billion; revenue from coking coal was RMB4.209 billion, representing a year-on-year increase of RMB2.413 billion. For the six months ended 30 June 2017, the Group's weighted average sales price of self-produced commercial coal recorded a year-on-year increase of RMB222/tonne, leading to an increase in sales revenue by RMB8.298 billion; sales of self-produced commercial coal recorded a year-on-year decrease of 3.40 million tonnes, leading to a decrease in sales revenue by RMB951 million.

Revenue from sales of proprietary coal trading increased from RMB6.959 billion for the six months ended 30 June 2016 to RMB11.585 billion, representing an increase of 66.5%; revenue net of inter-segmental sales increased from RMB6.348 billion for the six months ended 30 June 2016 to RMB10.421 billion, representing an increase of 64.2%.

Revenue from agency services increased from RMB5 million for the six months ended 30 June 2016 to RMB17 million, representing an increase of RMB12 million.

# Management Discussion and Analysis of Financial Conditions and Operating Results

The Group's coal sales volume and selling price for the six months ended 30 June 2017 and the changes as compared to the same period of 2016 are set out as follows:

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | **Increase/decrease** | | | |
| | | | **For the six months ended 30 June 2017** | | For the six months ended 30 June 2016 | | Increase/decrease in amount | | Increase/decrease *(%)* | | |
| | | | **Sales volume** ***(10,000 tonnes)*** | **Selling price** ***(RMB/ tonne)*** | Sales volume *(10,000 tonnes)* | Selling price *(RMB/ tonne)* | Sales volume *(10,000 tonnes)* | Selling price *(RMB/ tonne)* | Sales volume *(%)* | Selling price *(%)* |
| 1. | Self-produced commercial coal | Total | **3,748** | **502** | 4,088 | 280 | -340 | 222 | -8.3 | 79.3 |
| | | (I) Thermal coal | **3,255** | **448** | 3,584 | 269 | -329 | 179 | -9.2 | 66.5 |
| | | 1. Domestic sale | **3,246** | **448** | 3,559 | 269 | -313 | 179 | -8.8 | 66.5 |
| | | 2. Export | **9** | **577** | 25 | 372 | -16 | 205 | -64.0 | 55.1 |
| | | (II) Coking coal | **493** | **854** | 504 | 356 | -11 | 498 | -2.2 | 139.9 |
| | | 1. Domestic sale | **493** | **854** | 504 | 356 | -11 | 498 | -2.2 | 139.9 |
| | | 2. Export | ☆ | ☆ | ☆ | ☆ | – | – | – | – |
| 2. | Proprietary coal Trading | Total | **2,096** | **497** | 2,274 | 279 | -178 | 218 | -7.8 | 78.1 |
| | | (I) Domestic resale | **1,994** | **497** | 2,148 | 278 | -154 | 219 | -7.2 | 78.8 |
| | | (II) Self-operated export* | **2.8** | **1,436** | 1.8 | 1,376 | 1.0 | 60 | 55.6 | 4.4 |
| | | (III) Import trading | **99** | **468** | 124 | 289 | -25 | 179 | -20.2 | 61.9 |
| 3. | Agency service★ | Total | **214** | **8** | 185 | 3 | 29 | 5 | 15.7 | 166.7 |
| | | (I) Import agency | **25** | **6** | 8 | 6 | 17 | 0 | 212.5 | 0.0 |
| | | (II) Export agency | **147** | **8** | 126 | 4 | 21 | 4 | 16.7 | 100.0 |
| | | (III) Domestic agency | **42** | **9** | 51 | 1 | -9 | 8 | -17.6 | 800.0 |

☆: N/A for the period.
*: Briquette export.
★: Selling price is agency service fee.

- *Cost of sales*

For the six months ended 30 June 2017, cost of sales for the Group's coal operations increased from RMB17.520 billion for the six months ended 30 June 2016 to RMB23.375 billion, representing an increase of 33.4%. The major cost items and changes as compared to the same period of 2016 are set out as follows:

*Unit: RMB100 million*

| Item | **For the six months ended 30 June 2017** | **Percentage (%)** | For the six months ended 30 June 2016 | Percentage (%) | **Increase/decrease** Increase/ decrease in amount | Increase/ decrease (%) |
|---|---|---|---|---|---|---|
| Materials costs | **18.84** | **8.1** | 16.75 | 9.6 | 2.09 | 12.5 |
| Proprietary coal trading cost☆ | **108.10** | **46.2** | 68.23 | 38.9 | 39.87 | 58.4 |
| Staff costs | **10.75** | **4.6** | 12.03 | 6.9 | -1.28 | -10.6 |
| Depreciation and amortisation | **17.99** | **7.7** | 19.02 | 10.9 | -1.03 | -5.4 |
| Repairs and maintenance | **4.28** | **1.8** | 2.91 | 1.7 | 1.37 | 47.1 |
| Transportation costs and port expenses | **41.91** | **17.9** | 36.82 | 21.0 | 5.09 | 13.8 |
| Outsourcing mining engineering fees | **5.99** | **2.6** | 3.00 | 1.7 | 2.99 | 99.7 |
| Sales taxes and surcharges | **10.37** | **4.5** | 5.31 | 3.0 | 5.06 | 95.3 |
| Other costs | **15.52** | **6.6** | 11.13 | 6.3 | 4.39 | 39.4 |
| **Total cost of sales for coal operations** | **233.75** | **100.0** | 175.20 | 100.0 | 58.55 | 33.4 |

☆: This cost does not include transportation costs that is related to proprietary coal trading. Such transportation costs amounted to RMB658 million for the period from January to June 2017 and 82 million for the period from January to June 2016.

For the six months ended 30 June 2017, the Group's sales volume of self-produced commercial coal (before netting of inter-segment transactions) was 38.42 million tonnes, while the cost of sales was RMB11.670 billion, representing a year-on-year increase of RMB1.158 billion or 11.0%. The unit cost of sales of self-produced commercial coal was RMB303.74/tonne, representing a year-on-year increase of RMB46.59/tonne or 18.1%. The cost of sales of proprietary coal trading was RMB11.468 billion, representing a year-on-year increase of RMB4.563 billion or 66.1%. The unit cost of external sales of proprietary coal trading was RMB492.48/tonne, representing a year-on-year increase of RMB215.20/tonne or 77.6%.

The Group's unit cost of sales of self-produced commercial coal for the six months ended 30 June 2017 and the year-on-year changes are set out as follows:

*Unit: RMB/tonne*

| Item | For the six months ended 30 June 2017 | Percentage (%) | For the six months ended 30 June 2016 | Percentage (%) | Increase/decrease: Increase/ decrease in amount | Increase/decrease: Increase/ decrease (%) |
|---|---|---|---|---|---|---|
| Materials costs | **49.03** | **16.1** | 40.97 | 15.9 | 8.06 | 19.7 |
| Staff costs | **27.99** | **9.2** | 29.44 | 11.4 | -1.45 | -4.9 |
| Depreciation and amortisation | **46.82** | **15.4** | 46.53 | 18.1 | 0.29 | 0.6 |
| Repairs and maintenance | **11.14** | **3.7** | 7.13 | 2.8 | 4.01 | 56.2 |
| Transportation costs and port expenses | **91.97** | **30.3** | 88.08 | 34.3 | 3.89 | 4.4 |
| Sales taxes and surcharges | **26.98** | **8.9** | 12.99 | 5.1 | 13.99 | 107.7 |
| Outsourcing mining engineering fees | **15.60** | **5.1** | 7.34 | 2.9 | 8.26 | 112.5 |
| Other costs | **34.21** | **11.3** | 24.67 | 9.5 | 9.54 | 38.7 |
| **Total unit cost of sales of self-produced commercial coal** | **303.74** | **100.0** | 257.15 | 100.0 | 46.59 | 18.1 |

Unit materials costs increased by RMB8.06/tonne year-on-year, which was mainly attributable to the combined effects of a year-on-year increase in materials invested by coal production enterprises of the Group in production safety, price rise in raw materials such as diesel and the year-on-year increase in unit purchase price of externally purchased raw coal for washing purpose.

Unit staff costs decreased by RMB1.45/tonne year-on-year, which was mainly attributable to the year-on-year decrease in labour costs as a result of the Group's diminution on gross manpower by proactively implementing policies of "cutting overcapacity" and "leaner and healthier development".

Unit depreciation and amortisation costs increased by RMB0.29/tonne year-on-year, which was mainly attributable to a year-on-year decrease in the Group's commercial coal production volume during the reporting period, which led to a year-on-year increase in unit depreciation and amortisation costs.

Unit repairs and maintenance costs increased by RMB4.01/tonne year-on-year, which was mainly attributable to a year-on-year increase in the total repairs costs as a result of strengthening of repair and maintenance of equipment by the Group's coal producing enterprises.

Unit transportation costs and port expenses increased by RMB3.89/tonne year-on-year, which was mainly attributable to the year-on-year increase in the proportion of the Group's sales volume of seaborne coal, and the rise in the rates of railway freight and port charges.

Unit sales taxes and surcharges increased by RMB13.99/tonne year-on-year, which was mainly attributable to a year-on-year increase in resource tax, urban maintenance and construction tax and education surcharge as a result of the year-on-year increase in selling price of self-produced commercial coal of the Group.

Unit outsourcing mining engineering fees increased by RMB8.26/tonne year-on-year, which was mainly attributable to the increase in the outsourcing mining engineering volume of the coal producing enterprises of the Group.

Unit other costs increased by RMB9.54/tonne year-on-year, which was mainly attributable to the year-on-year increase in the small and medium mining project expenditure and auxiliary production expenses of the coal producing enterprises of the Group.

- *Gross profit and gross profit margin*

For the six months ended 30 June 2017, gross profit of the Group's coal operations segment increased from RMB1.180 billion for the six months ended 30 June 2016 to RMB7.435 billion, representing an increase of 530.1%. Gross profit margin increased by 17.8 percentage points from 6.3% for the six months ended 30 June 2016 to 24.1%, which was mainly attributable to the significant year-on-year increase in coal price.

### 2. *Coal chemical segment*

- *Revenue*

For the six months ended 30 June 2017, the selling prices of coal chemical products increased year-on-year. However the Group's revenue from coal chemical operations decreased from RMB5.599 billion for the six months ended 30 June 2016 to RMB4.576 billion, representing a decrease of 18.3%, which was mainly attributable to the progressive suspension of production for overhaul by chemical enterprises of the Group, increase in the internal consumption of methanol and the transfer of two subsidiaries in 2016. Revenue net of inter-segmental sales decreased from RMB5.586 billion for the six months ended 30 June 2016 to RMB4.563 billion, representing a decrease of 18.3%; of which the Group's external sales revenue of polyethylene decreased from RMB1.374 billion for the same period in 2016 to RMB1.089 billion, representing a year-on-year decrease of RMB285 million or 20.7%; external sales revenue of polypropylene decreased from RMB1.045 billion for the same period in 2016 to RMB1.026 billion, representing a decrease of RMB19 million or 1.8%; external sales revenue of urea increased from RMB1.352 billion for the same period in 2016 to RMB1.565 billion, representing an increase of RMB213 million or 15.8%; external sales revenue of methanol decreased from RMB385 million for the same period in 2016 to RMB166 million, representing a decrease of RMB219 million or 56.9%.

The sales volume and selling price of the major chemical products of the Group for the six months ended 30 June 2017 and the year-on-year changes are set out as follows:

| | | | | | | | Increase/decrease | |
|---|---|---|---|---|---|---|---|---|
| | **For the six months ended 30 June 2017** | | For the six months ended 30 June 2016 | | Increase/decrease in amount | | Increase/decrease | |
| | **Sales volume** ***(10,000 tonnes)*** | **Selling price** ***(RMB/ tonne)*** | Sales volume *(10,000 tonnes)* | Selling price *(RMB/ tonne)* | Sales volume *(10,000 tonnes)* | Selling price *(RMB/ tonne)* | Sales volume *(%)* | Selling price *(%)* |
| I. Olefin | **28.0** | **7,538** | 36.1 | 6,696 | -8.1 | 842 | -22.4 | 12.6 |
| 1. Polyethylene | **13.4** | **8,111** | 18.2 | 7,555 | -4.8 | 556 | -26.4 | 7.4 |
| 2. Polypropylene | **14.6** | **7,011** | 17.9 | 5,825 | -3.3 | 1,186 | -18.4 | 20.4 |
| II. Methanol◆ | **7.5** | **2,207** | 27.7 | 1,391 | -20.2 | 816 | -72.9 | 58.7 |
| III. Urea | **115.8** | **1,352** | 115.2 | 1,173 | 0.6 | 179 | 0.5 | 15.3 |

◆: 1. Including sales of methanol produced by Heilongjiang Coal Chemical Group, a subsidiary of China Coal Group with 11,900 tonnes for the period from January to June of 2017 period and 25,700 tonnes for the period from January to June of 2016.

2. The amount for internal use within the Group is eliminated, which was 335,000 tonnes for the period from January to June of 2017, eliminating sales revenue of RMB588 million, and 115,600 tonnes for the period from January to June of 2016, eliminating sales revenue of RMB169 million.

- *Cost of sales*

For the six months ended 30 June 2017, cost of sales for the Group's coal chemical operations decreased from RMB4.299 billion for the six months ended 30 June 2016 to RMB3.696 billion, representing a decrease of 14.0%. The major cost items and the year-on-year changes are set out as follows:

*Unit: RMB100 million*

| Item | **For the six months ended 30 June 2017** | **Percentage (%)** | For the six months ended 30 June 2016 | Percentage (%) | **Increase/decrease** Increase/ decrease in amount | Increase/ decrease (%) |
|---|---|---|---|---|---|---|
| Materials costs | **15.93** | **43.1** | 21.18 | 49.3 | -5.25 | -24.8 |
| Staff costs | **2.03** | **5.5** | 2.49 | 5.8 | -0.46 | -18.5 |
| Depreciation and amortisation | **8.17** | **22.1** | 9.08 | 21.1 | -0.91 | -10.0 |
| Repairs and maintenance | **2.06** | **5.6** | 0.75 | 1.7 | 1.31 | 174.7 |
| Transportation costs and port expenses | **4.67** | **12.6** | 4.55 | 10.6 | 0.12 | 2.6 |
| Sales taxes and surcharges | **0.65** | **1.8** | 0.96 | 2.2 | -0.31 | -32.3 |
| Other costs | **3.45** | **9.3** | 3.98 | 9.3 | -0.53 | -13.3 |
| **Total cost of sales for coal chemical operations** | **36.96** | **100.0** | 42.99 | 100.0 | -6.03 | -14.0 |

If the effects of disposal of two chemical subsidiaries in 2016 are eliminated, cost of sales for the Group's coal chemical operations for the six months ended 30 June 2017 which was calculated on the same calibre basis increased from RMB3.387 billion for the six months ended 30 June 2016 to RMB3.696 billion, representing an increase of 9.1%. The major cost items and the year-on-year changes are set out as follows:

*Unit: RMB100 million*

| Item | **For the six months ended 30 June 2017** | **Percentage (%)** | For the six months ended 30 June 2016 | Percentage (%) | **Increase/decrease** Increase/ decrease in amount | Increase/ decrease (%) |
|---|---|---|---|---|---|---|
| Materials costs | **15.93** | **43.1** | 14.49 | 42.8 | 1.44 | 9.9 |
| Staff costs | **2.03** | **5.5** | 2.21 | 6.5 | -0.18 | -8.1 |
| Depreciation and amortisation | **8.17** | **22.1** | 8.62 | 25.5 | -0.45 | -5.2 |
| Repairs and maintenance | **2.06** | **5.6** | 0.62 | 1.8 | 1.44 | 232.3 |
| Transportation costs and port expenses | **4.67** | **12.6** | 3.18 | 9.4 | 1.49 | 46.9 |
| Sales taxes and surcharges | **0.65** | **1.8** | 0.94 | 2.8 | -0.29 | -31.9 |
| Other costs | **3.45** | **9.3** | 3.81 | 11.2 | -0.36 | -9.4 |
| **Total cost of sales for coal chemical operations** | **36.96** | **100.0** | 33.87 | 100.0 | 3.09 | 9.1 |

The Group's cost of sales of the major coal chemical products for the six months ended 30 June 2017 and the year-on-year changes are set out as follows:

| Item | **Cost of sales *(RMB100 million)*** | | | **Unit cost of sales *(RMB/tonne)*** | | |
|---|---|---|---|---|---|---|
| | **For the six months ended 30 June 2017** | For the six months ended 30 June 2016 | Increase/ decrease in amount | **For the six months ended 30 June 2017** | For the six months ended 30 June 2016 | Increase/ decrease in amount |
| Olefin | **16.40** | 15.30 | 1.10 | **5,842** | 4,236 | 1,606 |
| Polyethylene | **7.93** | 7.98 | -0.05 | **5,906** | 4,389 | 1,517 |
| Polypropylene | **8.47** | 7.32 | 1.15 | **5,783** | 4,080 | 1,703 |
| Methanol | **1.57** | 3.11 | -1.54 | **2,089** | 1,123 | 966 |
| Urea | **13.37** | 10.45 | 2.92 | **1,157** | 907 | 250 |

For the six months ended 30 June 2017, the Group's cost of sales of olefin was RMB1.640 billion, representing a year-on-year increase of RMB110 million; the unit cost of sales of olefin was RMB5,842/tonne, representing a year-on-year increase of RMB1,606/tonne, which was mainly due to the combined effects of, among others, the rise in price of raw coal, and the increase in repair costs and the decrease in production volume resulting from overhaul of olefin facilities. Cost of sales of methanol was RMB157 million, representing a year-on-year decrease of RMB154 million, which was mainly due to the increase in sales costs offset by internal sales; the unit cost of sales of methanol was RMB2,089/tonne, representing a year-on-year increase of RMB966/tonne, which was mainly due to the combined effects of the rise in price of raw coal and the increase in repair costs and the decrease in production volume resulting from the overhaul of methanol facilities. Cost of sales of urea was RMB1.337 billion, representing a year-on-year increase of RMB292 million; the unit cost of sales of urea was RMB1,157/tonne, representing a year-on-year increase of RMB250/tonne, which was mainly due to the rise in price of raw coal.

- *Gross profit and gross profit margin*

For the six months ended 30 June 2017, the gross profit of the Group's coal chemical operations decreased by 32.3% from RMB1.300 billion for the six months ended 30 June 2016 to RMB880 million, and the gross profit margin decreased from 23.2% for the six months ended 30 June 2016 to 19.2%, representing a decrease of 4.0 percentage points. This was mainly due to the combined effects of, among others, the rise in price of raw materials such as coal, the increase in repair costs and the decrease in production volume resulting from facilities overhaul.

### 3. *Coal mining equipment segment*

- *Revenue*

For the six months ended 30 June 2017, the Group's revenue from the coal mining equipment operations increased from RMB1.931 billion for the six months ended 30 June 2016 to RMB2.484 billion, representing an increase of 28.6%, of which the revenue net of inter-segmental sales increased from RMB1.777 billion for the six months ended 30 June 2016 to RMB2.349 billion, representing an increase of 32.2%. This was mainly due to the year-on-year increase in sales volume of major products as a result of the market recovery of coal mining equipment.

- *Cost of sales*

For the six months ended 30 June 2017, the Company's cost of sales for the coal mining equipment operations increased from RMB1.577 billion for the six months ended 30 June 2016 to RMB2.216 billion, representing an increase of 40.5%. The major cost items and the year-on-year changes are set out as follows:

*Unit: RMB100 million*

| Item | For the six months ended 30 June 2017 | Percentage (%) | For the six months ended 30 June 2016 | Percentage (%) | Increase/decrease: Increase/decrease in amount | Increase/decrease: Increase/decrease (%) |
|---|---|---|---|---|---|---|
| Materials costs | **14.23** | **64.2** | 9.23 | 58.5 | 5.00 | 54.2 |
| Staff costs | **2.68** | **12.1** | 2.62 | 16.6 | 0.06 | 2.3 |
| Depreciation and amortisation | **1.55** | **7.0** | 1.52 | 9.6 | 0.03 | 2.0 |
| Repairs and maintenance | **0.14** | **0.6** | 0.24 | 1.5 | -0.10 | -41.7 |
| Transportation costs | **0.36** | **1.6** | 0.29 | 1.8 | 0.07 | 24.1 |
| Sales taxes and surcharges | **0.16** | **0.7** | 0.12 | 0.8 | 0.04 | 33.3 |
| Other costs | **3.04** | **13.8** | 1.75 | 11.2 | 1.29 | 73.7 |
| **Total cost of sales for coal mining equipment operations** | **22.16** | **100.0** | 15.77 | 100.0 | 6.39 | 40.5 |

- *Gross profit and gross profit margin*

For the six months ended 30 June 2017, the gross profit of the Group's coal mining equipment operations segment decreased from RMB354 million for the six months ended 30 June 2016 to RMB268 million, representing a decrease of 24.3%; and the gross profit margin decreased from 18.3% for the six months ended 30 June 2016 to 10.8%, representing a decrease of 7.5 percentage points.

### 4. *Financial and other operating segments*

For the six months ended 30 June 2017, the Group's total revenue from thermal power generation, financial operations and other operations decreased from RMB1.343 billion for the six months ended 30 June 2016 to RMB974 million, representing a decrease of 27.5%, of which the revenue net of inter-segmental sales decreased from RMB993 million for the six months ended 30 June 2016 to RMB750 million, representing a decrease of 24.5%, which was mainly attributable to the effects of subsidiaries transfer in 2016. Cost of sales decreased from RMB1.193 billion for the six months ended 30 June 2016 to RMB967 million, representing a decrease of 18.9%. Gross profit decreased by 95.3% from RMB150 million for the six months ended 30 June 2016 to RMB7 million, and gross profit margin decreased from 11.2% for the six months ended 30 June 2016 to 0.7%, representing a decrease of 10.5 percentage points.

## (3) Selling, general and administrative expenses

For the six months ended 30 June 2017, the Group's selling, general and administrative expenses increased from RMB1.950 billion for the six months ended 30 June 2016 to RMB2.732 billion, representing an increase of 40.1%, which was mainly due to the inclusion of the transfer of cost and expenses incurred during production suspension of relevant subsidiaries into this item pursuant to accounting standards as well as the increase in assets impairment loss charged in respect of the projects postponed according to the strategic arrangement of the Group and the non-performing assets pursuant to relevant provisions of accounting standards.

## (4) Other net gains

For the six months ended 30 June 2017, the other net gains of the Group decreased from RMB994 million for the six months ended 30 June 2016 to RMB27 million, representing a decrease of 97.3%. This was mainly because other gains of RMB929 million was recognised on the disposal of assets less relevant to principal business by the Group in the same period of 2016, while no such other gains was recognised during the reporting period.

## (5) Profit from operations

For the six months ended 30 June 2017, the Group's profit from operations increased from RMB2.047 billion for the six months ended 30 June 2016 to RMB5.801 billion, representing an increase of 183.4%. Profits from operations for major operating segments and the year-on-year changes are as follows:

*Unit: RMB100 million*

| Item | **For the six months ended 30 June 2017** | For the six months ended 30 June 2016 | **Increase/decrease** Increase/ decrease in amount | Increase/ decrease *(%)* |
|---|---|---|---|---|
| The Group | **58.01** | 20.47 | 37.54 | 183.4 |
| Of which: Coal operations | **56.78** | 0.94 | 55.84 | 5,940.4 |
| Coal chemical operations | **4.86** | 15.42 | -10.56 | -68.5 |
| Coal mining equipment operations | **0.82** | 2.19 | -1.37 | -62.6 |
| Financial operations and other operations | **-2.46** | 3.27 | -5.73 | -175.2 |

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

## (6) Finance income and finance costs

For the six months ended 30 June 2017, the Group's net finance costs decreased from RMB2.038 billion for the six months ended 30 June 2016 to RMB1.582 billion, representing a decrease of 22.4%, of which interest expense was RMB1.884 billion, representing a year-on-year decrease of RMB539 million, which was mainly because the Group refined its capital management and reasonably controlled the debt scale, leading to a year-on-year decrease in the balance of interest-bearing debt and accordingly a decrease in interest expenditure; interest income was RMB317 million, representing a year-on-year decrease of RMB87 million, which was mainly due to the year-on-year decrease in interest income from deposits as a result of the year-on-year decrease in cash and cash equivalents; net exchange loss was RMB11 million, leading to a year-on-year decrease in finance costs of RMB3 million.

## (7) Share of profits of associates and joint ventures

For the six months ended 30 June 2017, the Group's share of profits of associates and joint ventures increased from RMB281 million for the six months ended 30 June 2016 to RMB401 million, representing an increase of 42.7%. This was mainly attributable to a year-on-year increase in the Group's share of profits of associates and joint ventures recognised in proportion to its shareholding resulting from the increase in profits by using the equity method of accounting for the investees of the Group including coal mines.

### (8) Profit before income tax

For the six months ended 30 June 2017, the profit before income tax of the Group increased from RMB291 million for the six months ended 30 June 2016 to RMB4.619 billion, representing an increase of RMB4.328 billion.

### (9) Income tax expenses

For the six months ended 30 June 2017, the Group's income tax expenses increased from RMB-250 million for the six months ended 30 June 2016 to RMB1.088 billion, representing an increase of RMB1.338 billion, due to the significant increase in profit.

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

For the six months ended 30 June 2017, the profit attributable to the equity holders of the Company increased from RMB225 million for the six months ended 30 June 2016 to RMB2.280 billion, representing an increase of RMB2.055 billion.

## III. CASH FLOW

As at 30 June 2017, the balance of the Group's cash and cash equivalents amounted to RMB13.644 billion, representing a net increase of RMB3.750 billion as compared to RMB9.894 billion as at 31 December 2016.

Net cash generated from operating activities increased by RMB2.356 billion from RMB2.980 billion for the six months ended 30 June 2016 to RMB5.336 billion. This was mainly attributable to the significant improvement in operating results of the Group, which led to the dramatic year-on-year increase in net cash generated from operating activities.

Net cash generated from investing activities decreased by RMB3.654 billion from RMB4.261 billion for the six months ended 30 June 2016 to RMB607 million. This was mainly attributable to the reason that the movement of balance of fixed term deposits with initial terms exceeding three months of the Group led to a year-on-year decrease of RMB4.625 billion in cash inflow (net inflow for the reporting period amounted to RMB1.319 billion, while net inflow for the same period of 2016 amounted to RMB5.944 billion), the year-on-year decrease of RMB1.438 billion in cash received from disposal of fixed assets, intangible assets and subsidiaries, the year-on-year decrease of RMB2.890 billion in cash paid for capital expenditure such as project construction, long-term assets purchase and equity investment, the year-on-year increase of RMB1.033 billion in governmental subsidies received and the year-on-year decrease of RMB977 million in recovery of entrusted/proprietary loans and recovery of clearing amounts due from enterprises disposed of.

Net cash generated from financing activities increased by RMB1.888 billion from RMB-4.082 billion for the six months ended 30 June 2016 to RMB-2.194 billion. This was mainly attributable to the net increase of RMB385 million in borrowings recorded for the reporting period as compared to a net decrease of RMB1.495 billion in borrowings recorded for the same period of 2016, leading to a year-on-year increase of RMB1.880 billion in net cash inflow.

## IV. SOURCES OF CAPITAL

For the six months ended 30 June 2017, the Group's funds were mainly derived from the proceeds generated from business operations, bank borrowings and net proceeds raised in capital markets. The Group's funds were mainly used for investments in production facilities and equipment for coal, coal chemical, coal mining equipment and power generation operations, repayment of debts payable by the Group, and the Group's working capital and general recurring expenditures.

The cash generated from the Group's operation, net proceeds from share offering in the international and domestic capital markets, relevant banking facilities obtained and the issue amount of bonds approved but not utilised will provide sufficient capital funds for future production and operating activities as well as project construction.

## V. ASSETS AND LIABILITIES

### (1) Property, plant and equipment

As at 30 June 2017, the net value of property, plant and equipment of the Group amounted to RMB127.167 billion, representing a net decrease of RMB1.073 billion or 0.8% as compared to RMB128.240 billion as at 31 December 2016, among which the net value of buildings amounted to RMB28.644 billion, representing a proportion of 22.5%; the net value of mining structures amounted to RMB14.223 billion, representing a proportion of 11.2%; the net value of plant, machinery and equipment amounted to RMB35.862 billion, representing a proportion of 28.2%; the net value of construction in progress amounted to RMB44.662 billion, representing a proportion of 35.1%; and the net value of railway, transportation vehicle and others amounted to RMB3.776 billion, representing a proportion of 3.0%.

### (2) Mining and exploration rights

As at 30 June 2017, the net value of the Group's mining and exploration rights amounted to RMB32.963 billion, representing a net decrease of RMB711 million or 2.1% as compared to RMB33.674 billion as at 31 December 2016. This was mainly attributable to the amortisation of RMB219 million and allowance for asset impairment made on certain mining rights during the reporting period, leading to a decrease in the net value of mining and exploration rights.

### (3) Investments in associates

As at 30 June 2017, the net value of the Group's investments in associates amounted to RMB12.508 billion, representing a net increase of RMB499 million or 4.2% as compared to RMB12.009 billion as at 31 December 2016. This was mainly because Xi'an Coal Mining Machinery Co., Ltd., a company which was previously accounted for as subsidiary of the Company, was accounted for as an associate of the Company for the reporting period, leading to an increase in investments in associates of RMB486 million.

# Management Discussion and Analysis of Financial Conditions and Operating Results

### (4) Prepayments and other receivables

As at 30 June 2017, the net value of the Group's prepayments and other receivables amounted to RMB6.620 billion, representing a net decrease of RMB804 million or 10.8% as compared to RMB7.424 billion as at 31 December 2016. This was mainly attributable to the fact that during the reporting period, the Group recovered entrusted loans and the clearing amounts due from the equity transfer of the enterprises in 2016.

### (5) Trade and notes receivables

As at 30 June 2017, the net amount of the Group's trade and notes receivables was RMB15.659 billion, representing a net increase of RMB1.201 billion or 8.3% as compared to RMB14.458 billion as at 31 December 2016. This was mainly attributable to the significant year-on-year increase in the coal sales revenue of the Group.

### (6) Borrowings

As at 30 June 2017, the balance of borrowings of the Group amounted to RMB66.582 billion, representing a net increase of RMB350 million or 0.5% as compared to RMB66.232 billion as at 31 December 2016, of which the balance of long-term borrowings (including the portion due within one year) was RMB59.163 billion, representing a net decrease of RMB496 million as compared to RMB59.659 billion as at 31 December 2016; and the balance of short-term borrowings was RMB7.419 billion, representing a net increase of RMB846 million as compared to RMB6.573 billion as at 31 December 2016.

### (7) Long-term bonds

As at 30 June 2017, the balance of long-term bonds of the Group amounted to RMB25.873 billion, representing a net decrease of RMB27 million or 0.1% as compared to RMB25.900 billion as at 31 December 2016, which was mainly due to the amortisation of medium-term notes based on the effective interest method.

### (8) Deferred revenue

As at 30 June 2017, the balance of deferred revenue of the Group amounted to RMB1.792 billion, representing a net increase of RMB990 million or 123.4% as compared to RMB802 million as at 31 December 2016, mainly due to the increase in governmental subsidies relating to assets and revenue.

## VI. SIGNIFICANT CHARGE OF ASSETS

The Group did not have significant charge of assets during the reporting period. As at 30 June 2017, the book value of the Group's charge of assets amounted to RMB8.705 billion, of which the book value of pledged assets was RMB681 million and the book value of mortgaged assets was RMB8.024 billion.

## VII. SIGNIFICANT INVESTMENT

During the reporting period, the Group had no significant investment.

## VIII. MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have material acquisitions and disposals in relation to subsidiaries, associates and joint ventures during the reporting period.

## IX. RISKS OF EXCHANGE RATE

The business operations of the Group are subject to the impact of fluctuations in the exchange rate of RMB. The export sales of the Group are primarily settled in US Dollars and the Group has liabilities denominated in foreign currencies (including Japanese Yen and US Dollar). Meanwhile, the Group needs foreign currencies, mainly US Dollars, to pay for imported equipment and accessories. As such, the fluctuations in foreign exchange rates against RMB will have bilateral compound effects on the operating results of the Group.

## X. RISKS OF COMMODITY VALUE

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

## XI. INDUSTRY RISKS

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

# Management Discussion and Analysis of Financial Conditions and Operating Results

## XII. CONTINGENT LIABILITIES

### (1) Bank guarantees

As at 30 June 2017, the Group provided guarantees of RMB24.292 billion in total, of which guarantees of RMB17.115 billion were provided to the equity investment entities in proportion to the Group's shareholdings. The details are set out below:

*Unit: RMB10 thousand*

| The Company's external guarantees (excluding guarantees for subsidiaries) | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Guarantor | Relationship between guarantor and listed company | Guarantee | Guaranteed amount | Date of execution of guarantee (the date of signing agreement) | Commencement date of guarantee | Expiry date of guarantee | Type of the guarantee | Completed or not | Overdue or not | Overdue amount | Counter guarantee available or not | Provided to the related party or not | Connected party relationship |
| China Coal Energy Company Limited | Company headquarters | Shanxi Pingshuo Gangue-fired Power Generation Company Limited | 1,080.00 | 19 December 2008 | 19 December 2008 | 18 December 2020 | Joint and several liability | No | No | – | Yes | No | – |
| China Coal Energy Company Limited | Company headquarters | Shanxi Pingshuo Gangue-fired Power Generation Company Limited | 2,580.00 | 24 December 2008 | 24 December 2008 | 23 December 2020 | Joint and several liability | No | No | – | Yes | No | – |
| China Coal Energy Company Limited | Company headquarters | Huajin Coking Coal Company Limited | 4,375.00 | 28 March 2008 | 28 March 2008 | 20 December 2022 | Joint and several liability | No | No | – | No | No | – |
| China Coal Energy Company Limited | Company headquarters | Huajin Coking Coal Company Limited | 23,575.50 | 28 March 2008 | 28 March 2008 | 20 December 2023 | Joint and several liability | No | No | – | No | No | – |
| China Coal Energy Company Limited | Company headquarters | Huajin Coking Coal Company Limited | 9,981.10 | 28 March 2008 | 28 March 2008 | 20 December 2023 | Joint and several liability | No | No | – | No | No | – |
| China Coal Energy Company Limited | Company headquarters | Huajin Coking Coal Company Limited | 4,532.50 | 21 November 2012 | 21 November 2012 | 20 November 2027 | Joint and several liability | No | No | – | No | No | – |
| China Coal Energy Company Limited | Company headquarters | Taiyuan Coal Gasification Longquan Energy Development Company Limited | 25,180.00 | 29 October 2012 | 29 October 2012 | 31 January 2021 | Joint and several liability | No | No | – | No | No | – |
| China Coal Energy Company Limited | Company headquarters | Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited | 352,808.54 | 28 April 2013 | 28 April 2013 | 28 April 2025 | Joint and several liability | No | No | – | Yes | No | – |
| China Coal Energy Company Limited | Company headquarters | Zhongtian Synergetic Energy Company Limited | 1,273,444.97 | 25 May 2016 | 25 May 2016 | As per agreement | Joint and several liability | No | No | – | No | No | – |
| Shanghai Datun Energy Resources Company Limited | Controlling subsidiary | Fengpei Railway Company Limited | 1,406.50 | 21 November 2013 | 21 November 2013 | 20 April 2024 | Joint and several liability | No | No | – | Yes | No | – |
| China Coal Shaanxi Yulin Energy & Chemical Company Limited | Wholly-owned subsidiary | Yan'an Hecaogou Coal Company Limited | 12,500.00 | 28 November 2015 | 29 November 2015 | 1 September 2025 | Joint and several liability | No | No | – | Yes | No | – |

**The Company's external guarantees (excluding guarantees for subsidiaries)**

| Guarantor | Relationship between guarantor and listed company | Guarantee | Guaranteed amount | Date of execution of guarantee (the date of signing agreement) | Commencement date of guarantee | Expiry date of guarantee | Type of the guarantee | Completed or not | Overdue or not | Overdue amount | Counter guarantee available or not | Provided to the related party or not | Connected party relationship |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total guarantee incurred during the reporting period (excluding those provided to subsidiaries) | | | | | | | | | | | | | 72,470.00 |
| Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries) | | | | | | | | | | | | | 1,711,464.11 |
| **guarantee provided by the Company to its subsidiaries** | | | | | | | | | | | | | |
| Total guarantee to subsidiaries incurred during the reporting period | | | | | | | | | | | | | -64,846.30 |
| Total balance of guarantee to subsidiaries as at the end of the reporting period (B) | | | | | | | | | | | | | 717,701.79 |
| **total guarantee of the Company (including those to subsidiaries)** | | | | | | | | | | | | | |
| Total guarantee (A+B) | | | | | | | | | | | | | 2,429,165.90 |
| Percentage of total guarantee to net assets of the Company (%) | | | | | | | | | | | | | 27.7 |
| Of which: | | | | | | | | | | | | | |
| Amount of guarantee provided to shareholders, de facto controllers and related parties (C) | | | | | | | | | | | | | – |
| Balance of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio of over 70% (D) | | | | | | | | | | | | | 1,341,089.07 |
| Excess amount of total guarantee over 50% of net assets (E) | | | | | | | | | | | | | – |
| Total amount of the above three categories (C+D+E) | | | | | | | | | | | | | 1,341,089.07 |
| Explanations on the possible joint and several liabilities for liquidation in respect of the outstanding guarantee | | | | | | | | | | | | | – |
| Explanations on the guarantee | | | | | | | | | | | | | – |

## (2) Environmental protection responsibilities

Environmental protection laws and regulations have been fully implemented in China. However, the management of the Group is of the opinion that other than those that have been accounted for in the financial statements, there are currently no other environmental protection responsibilities that may have a material adverse impact on the financial position of the Group.

## (3) Contingent legal liabilities

For the six months ended 30 June 2017, the Group was not involved in any material litigation or arbitration, and to the knowledge of the Group, there was no material litigation or arbitration pending or threatened against or involving the Group.

# Business Performance

## I. COAL OPERATIONS

Since the beginning of 2017, amid a stable and favourable trend of macro economy of China, the operation conditions of coal industry continued to improve as the volume of coal production and sales increased year-on-year due to a higher demand from the key industries of coal consumption. Taking this opportunity, the Company proactively optimised production layout, enhanced coordination between production and sales, and spared no efforts in the arrangement of production. Pingshuo Company realised the turnaround from loss to profit as its coal production stably increased through properly coordinating the production, striping and mining (roadheading) continuity and accelerating land requisition and relocation. Despite the worsening geological conditions and other difficulties in production, Shanghai Energy Company saw a significant year-on-year growth in profit by endeavouring to stabilise production and improve quality through continuously promoting the optimisation of production system and washing and preparation techniques. China Coal Huajin Company witnessed another record high in comprehensive profits through reasonably arranging equipment overhaul and fully utilising the advanced production capacities of mines which delivered stable and orderly production and operation. During the reporting period, the production volume of commercial coal of the Company reached 38.24 million tonnes, of which the production volume of thermal coal amounted to 33.24 million tonnes, and the production volume of coking coal amounted to 5 million tonnes.

The Company kept improving its safety control system, set up the dual prevention mechanism for hierarchical control of safety risks, identification and elimination of hidden risks, and focused on the implementation of safety responsibilities, so that the overall safety situation remained stable. By further consolidating the foundation of safety quality standardisation, 13 coal mines of the Company were rated as being the safe and efficient coal mines in the coal industry. During the reporting period, the Company endeavoured to upgrade its technology, technique and equipment level and recorded a raw coal production efficiency of 33.36 tonnes/worker-shift, representing a leading level in the coal industry. In addition, the Company accelerated the construction of the clean, efficient and sustainable modern energy system, and a number of indicators of the Company such as recovery rate of coal resources, comprehensive energy consumption for coal production and pollutants discharge stood at the forefront of the industry.

In the first half of 2017, coal market in general exceeded expectation. Closely in line with market changes, the Company enhanced judgement and study of market conditions, and made prompt adjustment to its sales strategy. The Company strived to realise the increase in sales and profit through formulating a more detailed marketing plan, optimising customer portfolio, enhancing coordination of transportation capacity and adjusting the transportation flow to ensure the precise connection among production, transportation and sales. During the reporting period, the Company maintained smooth coordination between coal production and sales, and achieved a total sales volume of commercial coal of 60.58 million tonnes, of which the sales volume of self-produced commercial coal amounted to 37.48 million tonnes.

The Company vigorously expanded channels to resources and maintained the scale of proprietary coal trading to increase the market share. Through strengthening control over coal quality and implementing the enhancement in quality and profit of coal blending, the Company effectively catered for the individualised demand of users. During the reporting period, the Company recorded sales volume of proprietary coal trading of 20.96 million tonnes.

| **Sales volume of commercial coal (10 thousand tonnes)** | | | **January to June 2017** | January to June 2016 | Change (%) |
|---|---|---|---|---|---|
| **(I)** | **Domestic sales of self-produced coal** | | **3,739** | 4,063 | -8.0 |
| | By region: | North China | **1,014** | 1,113 | -8.9 |
| | | East China | **1,972** | 2,380 | -17.1 |
| | | South China | **371** | 304 | 22.0 |
| | | Others | **382** | 266 | 43.6 |
| | By coal type: | Thermal coal | **3,246** | 3,559 | -8.8 |
| | | Coking coal | **493** | 504 | -2.2 |
| **(II)** | **Self-produced coal export** | | **9** | 25 | -64.0 |
| | By region: | Taiwan, China | **9** | 25 | -64.0 |
| | By coal type: | Thermal coal | **9** | 25 | -64.0 |
| **(III)** | **Proprietary trading** | | **2,096** | 2,274 | -7.8 |
| | Of which: | Domestic resale | **1,994** | 2,148 | -7.2 |
| | | Import trading | **99** | 124 | -20.2 |
| | | Self-operated exports | **2.8** | 1.8 | 55.6 |
| **(IV)** | **Agency sales** | | **214** | 185 | 15.7 |
| | Of which: | Import agency | **25** | 8 | 212.5 |
| | | Export agency | **147** | 126 | 16.7 |
| | | Domestic agency | **42** | 51 | -17.6 |
| **Total** | | | **6,058** | 6,547 | -7.5 |

## II. COAL CHEMICAL OPERATIONS

The Company continued to strengthen production and operation control of coal chemicals and strived to enhance its professional management practices. In an effort to offset the influence of price hike in raw materials such as coal, the Company enhanced control over energy and materials consumption, optimised procurement system and made great efforts to tap the potential of cost reduction. The Company ensured the full, sound, safe and stable operation of coal chemical facilities in the long run through reasonably and scientifically arranging the overhaul of coal chemical facilities, conducting production optimisation and elimination of systems defects in a timely manner and strengthening routine maintenance of equipment to increase the effective operation time of equipment. The production of Yulin Olefin Project hit a new record high with a daily average output exceeding 2,150 tonnes of polyolefin and a total output of 303,000 tonnes of polyolefin during the reporting period. Tuke Fertiliser Project recorded an output of 958,000 tonnes of urea by vigorously promoting technological breakthroughs and effectively tapping potentials of facilities. Mengda Engineering Plastics Project maintained stable operation with high load in respect of its trial production, with an output of 315,000 tonnes of polyolefin, laying a solid foundation for the official operation in the next stage.

# Business Performance

Fully taking advantage of the centralised sales of coal chemical products, the Company adjusted the pacing of sales while taking into consideration of the overhaul of coal chemical facilities, ensured the continuity in product supply and stabilised its market share. The Company made ongoing improvement in the marketing network of urea and increased sales in South and Southwest China. Through optimising logistics mode, the Company for the first time achieved export sales of urea in bulk cargo, thus increasing the market share and the brand influence of China Coal. Keeping abreast with the changes of olefin market, the Company actively developed new grade products with higher added value and thus witnessed a stable improvement in comprehensive profit-making ability. During the reporting period, the accumulated sales volume of polyolefin accounted to 280,000 tonnes, and the sales volume of urea reached 1.158 million tonnes. In addition, by strengthening the geographic coordination of enterprises in Ordos region, the Company coordinated and organised the production and sales of chemical enterprises in the upstream and downstream industries and expanded internal purchase and supply scale of methanol product. As a result, during the reporting period, the Company supplied 335,000 tonnes of methanol as raw material to Mengda Engineering Plastics Project, fully demonstrating the synergies of industrial chain.

| **Production and sales volume of coal chemical products (10 thousand tonnes)** | | **January to June 2017** | January to June 2016 | Change *(%)* |
|---|---|---|---|---|
| **(I)** | **Olefin** | | | |
| 1. | Polyethylene: Production volume | **14.9** | 18.2 | -18.1 |
| | Sales volume | **13.4** | 18.2 | -26.4 |
| 2. | Polypropylene: Production volume | **15.4** | 17.2 | -10.5 |
| | Sales volume | **14.6** | 17.9 | -18.4 |
| **(II)** | **Urea** | | | |
| 1. | Production volume | **95.8** | 98.3 | -2.5 |
| 2. | Sales volume | **115.8** | 115.2 | 0.5 |
| **(III)** | **Methanol** | | | |
| 1. | Production volume | **32.5** | 37.7 | -13.8 |
| 2. | Sales volume | **7.5** | 27.7 | -72.9 |

Notes:

1. The production and sales volume of olefin does not include the production and sales volume of Mengda Engineering Plastics Project for the trial production.
2. For the purpose of comparison under identical statistical caliber, the 69,000 tonnes of methanol produced by the methanol facilities of Yulin Olefin Project during overhaul which was supplied to Mengda Engineering Plastics Project as intermediate is not included in the statistical scope for calculating the methanol production volume of the Company.
3. The methanol sales volume of the Company includes sales of 12,000 tonnes of all proprietary methanol products produced by Heilongjiang Coal Chemical Group, a subsidiary of China Coal Group, and does not include the internal self consumption of 335,000 tonnes.

## III. COAL MINING EQUIPMENT OPERATIONS

Seizing the opportunity of favourable recoveries in coal market and purchase orders for coal mining equipment, the Company strengthened market exploration, spared no efforts in consolidating the market share of major products, enriched product portfolio and actively developed non-coal market. During the reporting period, the contract amount increased by 79.9% year-on-year, of which the non-coal contracts accounted for nearly 20%. The Company focused on production schedule to ensure delivery on time through overcoming difficulties such as concentrated contract tasks and short lead time, and achieved production value of coal mining equipment of RMB2.44 billion, representing a year-on-year increase of 54.4%. The total production volume of coal mining equipment reached 131,000 tonnes, representing a year-on-year increase of 40.9%, of which 5,901 units (sets) were major coal mining equipment, representing a year-on-year increase of 68.6%.

| **Coal mining equipment** | **Production value** *(RMB100 million)* | | | **Sales revenue** *(RMB100 million)* | |
|---|---|---|---|---|---|
| | **January to June 2017** | January to June 2016 | Change *(%)* | **January to June 2017** | Percentage of operating revenue of the coal mining equipment segment *(%)* |
| Conveyor equipment | **12.0** | 7.4 | 62.2 | **6.9** | 27.8 |
| Support equipment | **7.6** | 4.9 | 55.1 | **6.0** | 24.2 |
| Other equipment | **4.8** | 3.5 | 37.1 | **2.2** | 8.9 |
| Total | **24.4** | 15.8 | 54.4 | **24.8** | – |

Notes:

1. Since January 2017, the production value of coal mining equipment of Xi'an Coal Mining Machinery Co., Ltd. was no longer incorporated in the statistical scope of the Company and the corresponding date for the same period of 2016 was restated.
2. The revenue of the products in the table represents the sales revenue of the coal mining equipment segment before inter-segment elimination.
3. The total sales revenue of RMB2.48 billion included revenues generated from accessories, services and trading.

## IV. ILLUSTRATION OF PROGRESS OF OPERATING PLANS

Affected by the overlapping influences of various factors such as cutting overcapacity in the coal industry, stricter enforcement of safety supervision as well as relocation of villages in the mining areas, the Company was confronted with relatively big challenges in organising coal production. As such, it is expected that for 2017, the production volume of commercial coal will be around 75 million tonnes and the unit cost of sales of self-produced commercial coal will increase year-on-year to some extent. Nevertheless, the Company will proactively take various measures to increase the coal production volume and exercise stricter control over cost and expenses, so as to realise a year-on-year increase of profit.

# Investor Relations

In the first half of 2017, under the principle of "openness, fairness and impartiality", and with an aim of strengthening the maintenance of investor relations and enhancing corporate governance, China Coal Energy kept frank and sufficient communications with its domestic and overseas investors as well as industry analysts through various channels including presentations of results, non-deal road-shows, investment forums, routine visits and telephone conferences, and held 49 investor meetings of various kinds with 580 attendees in total. These activities included 10 presentations of results, road-show meetings and telephone conference on quarterly results with 232 attendees, 23 day-to-day receptions of investor visits and telephone conferences with 184 participants and attendees, and 11 forums organised by domestic and overseas securities firms with 16 meetings and 164 attendees.

## 1. HOLDING PRESENTATION OF RESULTS AND RESULTS ROADSHOWS, AND ACHIEVING SUFFICIENT COMMUNICATION WITH CAPITAL MARKET

The Company attaches great importance to investor relations management. The Company's management attended the presentations of 2016 H Shares annual results in person, delivered a detailed briefing about the latest business results of the Company to the media and coal industry analysts, patiently answered the questions raised by investors, and achieved positive effects of communication. After the presentation of results, the Company held non-deal road-shows, visited important shareholders and potential institutional investors, discussed with them on key issues including the domestic macro economy and the trend of coal industry, which helped to deepen the capital market's understanding towards the Company. The Company adhered to hold routine telephone briefing after the 2017 A Shares first quarterly report was released, introduced the Company's production and operation situations to online investors at home and aboard, timely and effectively responded to their main concerns.

## 2. STRENGTHENING COMMUNICATIONS WITH INSTITUTIONAL INVESTORS, AND ESTABLISHING SMOOTH COMMUNICATION CHANNEL

The Company adhered to the practice of receiving investors on every Tuesday and Thursday, arranged the reception of investor's on-site visits, answered visitors' queries earnestly and candidly, carefully explained the operation situation, development prospects and future plans of the Company, greatly enhancing the understanding of investors towards the Company. The Company actively participated in various investment forums held by investment banks and securities companies at home and abroad, communicated with numerous investors through one-on-one and group meetings with respect to, among others, the national macroeconomic trend, industry outlook and corporate operational fundamentals, and kept increasing the transparency of the Company.

## 3. ORGANISING REVERSE ROAD-SHOW TO STRENGTHEN INVESTMENT CONFIDENCE OF IMPORTANT SHAREHOLDER IN THE COMPANY

The Company organised important shareholder to visit coal chemical projects in Inner Mongolia-Shaanxi base, demonstrated the achievements that the Company had made in the transformation and upgrading of the coal chemicals operations. Through interactions, communications and field researches, the Company strengthened the understanding of important shareholder towards the production and operation aspect of the Company's coal chemical projects, further solidifying their confidence of investing in the Company.

## 4. STRENGTHENING THE AWARENESS OF SERVING THE SHAREHOLDERS, AND PROTECTING THE LEGITIMATE INTERESTS OF MINORITY INVESTORS

Investor relations column which has been established on the Company's website not only provides statutory information disclosure contents such as annual reports, interim reports, quarterly reports and announcements of major events, but also voluntarily discloses monthly productive and operational data so as to satisfy the needs of investors as much as possible. Through the E-interactive Platform of the Shanghai Stock Exchange, the Company continued to respond to the public about their questions of the Company's development strategies, business operations, etc., and strived to uplift the coverage and effectiveness of the communication with investors. The Company also appointed dedicated staff to answer the calls from the investor hotline and to deal with emails and faxes, provided minority investors with timely reply, so as to effectively safeguard their rights to know. Meanwhile, the Company's shareholders' general meeting elected directors and supervisors with the implementation of accumulated voting system which adopted the method of internet voting and thus protected the rights of minority investors to participate in and vote on the material matters of the Company.

## 5. FOCUSING ON THE COLLECTION OF OPINIONS AND SUGGESTIONS FROM THE CAPITAL MARKET, AND ENHANCING THE FEEDBACK TO THE COMPANY

On the basis of building up extensive communication with investors, the Company focused on enhancing the dynamic tracking of share price valuation, analysts' reports and media comments, while tracing and analysing hot topics in the capital market, and advising the Company's management with the responses of the capital market in a timely manner to facilitate their operational decision-making. The Company earnestly arranged the Q&A session in the general meeting so that the voices of minority Shareholders were understood and Shareholders' opinions and suggestions could be adopted reasonably. Following the disclosure of the Company's results, the Company carried out investor surveys, actively enquired the views and comments of coal industry analysts on the Company's operation results, information disclosure and investor relations management, and solicited suggestions from the capital market for the Company's business development.

Looking forward, China Coal Energy will continue to improve its investor relations management mechanism, further enhance the quality of investor communication, and look forward to obtaining more support and attention from investors.

# Corporate Governance

## I. OVERVIEW OF CORPORATE GOVERNANCE

During the reporting period, the Company regulated its operations in compliance with domestic and overseas regulatory requirements. In accordance with the requirements of the Articles of Association, relevant laws and regulations and the securities regulatory rules of the listing place of the Company, etc., and taking into account of its actual circumstances, the Company continued to formulate, improve and effectively execute the various working mechanisms and relevant working procedures of the Board and its various special committees. During the reporting period, through the coordinated operation and effective check and balance among general meeting, the Board, the relevant special committees, the supervisory committee and the corporate management, with the implementation of an effective internal control system, the internal management and operations of the Company were further regulated with continuous enhancement in management standards.

The Board currently comprises eight Directors, including two executive Directors, three non-executive Directors and three independent non-executive Directors. Five special committees, namely the strategic planning committee, the audit and risk management committee, the remuneration committee, the nomination committee, and the safety, health and environmental protection committee were set up under the Board to assist the Board in making decisions and monitoring the Company’s strategic planning, auditing, employees’ remuneration, nomination and safety production, etc., respectively. During the reporting period, the Company convened one general meeting, five meetings of the Board and two meetings of the supervisory committee. In strict compliance with the requirements of relevant rules including the Rules of Procedures of Shareholders’ General Meetings, the Rules of Procedures of the Board of Directors, the Provisional Measures on Management of Resolutions of the Board of Directors, and the Rules of Procedures of the Supervisory Committee, the Company continued its efforts in standardising the work flow and improving work quality to ensure rational decision-making and efficient operation.

During the reporting period, the Company and its controlling shareholder, China Coal Group, were independent from each other in respect of business, staff, assets and financial affairs. Save for the internal working relationship in the Company, the Directors, the supervisors and the senior management of the Company were not related to each other in respect of financial, business, family and other material aspects. Save for the services agreements entered into with the Company, the Directors and the supervisors of the Company had no personal interests, directly or indirectly, in any material contracts entered into by the Company and its subsidiaries in the first half of 2017.

## II. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company always attaches great importance to corporate governance and the enhancement of its transparency. Pursuant to the requirements on corporate governance prescribed by domestic and overseas regulatory bodies, the Company makes constant efforts to improve the internal control, so as to facilitate more standardised and efficient operation of the Company and ensure maximum returns for the Shareholders through excellent corporate governance.

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

## III. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

## IV. AUDIT AND RISK MANAGEMENT COMMITTEE

In 2016 and the prior years, the Company's auditors under China Accounting Standards for Business Enterprises and International Financial Reporting Standards were PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers, respectively. These two auditors have been providing audit services to the Company for years and their term of service expired on 26 June 2017. Pursuant to the relevant requirements regarding the rotation of auditors issued by the State-owned Assets Supervision and Administration Commission of the State Council, the Company decided to change its auditors. After selection by way of bidding, at the 2016 annual general meeting the Company held on 26 June 2017, it was approved that Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu are appointed as auditors of the Company to review the interim financial reports and audit the annual financial reports of the Company and the internal control on financial reports, prepared under China Accounting Standards for Business Enterprises and International Financial Reporting Standards for 2017, respectively.

The audit and risk management committee under the Board has reviewed the interim report of the Company. Deloitte Touche Tohmatsu, the external auditor of the Company, conducted an independent review on the unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2017 in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. On the basis of their review, which did not constitute an audit, Deloitte Touche Tohmatsu confirmed in writing that nothing came to their attention which would cause them to believe that the interim financial information was not, in any material aspect, properly prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting".

# Disclosure of Major Events

## I. SHARE CAPITAL STRUCTURE

As at 30 June 2017, the Company's share capital structure was as follows:

*Unit: share*

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

## II. DISTRIBUTION OF FINAL DIVIDENDS FOR 2016

The Company's plan of profit distribution for the year of 2016 was considered and approved at the Company's 2016 annual general meeting held on 26 June 2017. Cash dividends of RMB514,531,500 were distributed to the Shareholders, representing 30% of the profit attributable to the equity holders of the Company which was RMB1,715,105,000 for the year of 2016 as set out in the consolidated financial statements of 2016 prepared in accordance with the International Financial Reporting Standards. The proposed dividend distribution was based on the Company's entire issued share capital of 13,258,663,400 Shares, representing a dividend of RMB0.039 per share (tax inclusive). As at the date of this report, the aforesaid final dividends were duly paid to the Shareholders.

## III. INTERIM PROFIT DISTRIBUTION PLAN FOR 2017

The Company does not distribute any interim profit for 2017 and does not implement capitalisation from capital reserve.

## IV. ASSETS TRANSACTION

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

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

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

In 2017, the Company's capital expenditure budget closely focused on four major business segments, namely coal, coal chemical, coal mining equipment and power generation, and consisted of three categories, namely infrastructure projects, procurement and maintenance of fixed assets and equity investment. The total capital expenditure budgeted for 2017 was RMB15.215 billion. During the reporting period, certain major projects such as coal mines and power plants were impacted by external construction conditions and relevant national policies. As such, the completion rate of capital expenditure was lower as compared to the same period of 2016. During the reporting period, the actual investment amount was RMB3.208 billion, representing 21.08% of the annual budget.

**Performance of Capital Expenditure Budgeted for the First Half of 2017 (By items)**

*Unit: RMB100 million*

| Items of capital expenditure | Actual investment from January to June 2017 | Budgeted investment in 2017 | Actual investment ratio % |
|---|---|---|---|
| Total | 32.08 | 152.15 | 21.08 |
| Infrastructure projects | 28.78 | 125.37 | 22.96 |
| Procurement and maintenance of fixed assets | 3.15 | 13.13 | 23.99 |
| Equity investment | 0.15 | 13.65 | 1.10 |

**Performance of Capital Expenditure Budgeted for the First Half of 2017 (By business segments)**

*Unit: RMB100 million*

| Business segments | Actual investment from January to June 2017 | Budgeted investment in 2017 | Actual investment ratio % |
|---|---|---|---|
| Total | 32.08 | 152.15 | 21.08 |
| Coal | 17.71 | 70.14 | 25.25 |
| Coal chemical | 5.46 | 23.93 | 22.82 |
| Coal mining equipment | 0.52 | 1.10 | 47.27 |
| Power generation | 8.39 | 56.98 | 14.72 |

### (2) Overall Analysis of External Equity Investments

In the first half of 2017, the Company completed external equity investment of RMB15 million, representing a year-on-year decrease of 97.77%. Major equity investment projects included: payment of RMB10 million as the consideration for consolidation of small scale coal mines within the boundary of Pingshuo East Open Pit Mine and the payment of RMB5 million as consideration for acquisition of equity interest in Second Power Plant Company Limited located in the north of Wucai Bay, Zhundong, Xinjiang.

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

For the six months ended 30 June 2017, the Company and its subsidiaries had not purchased, sold or redeemed any securities (the term "securities" has the meaning ascribed to it under the Hong Kong Listing Rules) of the Company.

## VII. SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, to the best knowledge of the Directors, supervisors and chief executive of the Company and as recorded in the register of interests required to be maintained pursuant to section 336 of the Securities and Futures Ordinance, the interests or short positions of the following persons (excluding Directors, supervisors and chief executive of the Company) in the Company's shares or underlying shares were as follows:

*Unit: Share*

| Name of shareholders | Number of shares | Class of shares | Nature of Interest | Capacity | Percentage of the respective class of the total shares in issue (%) | Percentage of the total shares in issue (%) |
|---|---|---|---|---|---|---|
| China National Coal Group Corporation | 7,605,207,608 | A Shares | N/A | Beneficial owner | 83.10 | 57.36 |
| Funde Sino Life Insurance Co., Ltd. | 2,012,858,147 | H Shares | Long position | Interest of controlled corporation by substantial shareholders | 49.01 | 15.18 |

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

Save as disclosed above, as at 30 June 2017, to the best knowledge of the Directors, supervisors and chief executive of the Company, there were no other persons who had interests and/or short positions in the shares or underlying shares of the Company as recorded in the register required to be maintained under section 336 of the Securities and Futures Ordinance.

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

As at 30 June 2017, none of the Directors, supervisors or chief executive of the Company had any interests and/or short positions in shares, underlying shares of equity derivatives or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which are required to be recorded in the register of interests kept by the Company under section 352 of the Securities and Futures Ordinance, or which are required to be notified to the Company and HKSE under the Model Code.

As at 30 June 2017, the Company had not granted any rights to any of Directors, supervisors or chief executive of the Company or any of their spouses or children under 18 years of age to subscribe for the Shares or debentures of the Company or its associated corporations, nor did any of the above-mentioned individuals exercise any such rights to subscribe for the aforesaid Shares or debentures.

## IX. EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Company had a total of 45,576 on-the-job employees, including 29,126 production personnel, 913 sales personnel, 8,881 technical personnel, 775 financial personnel, 3,113 administrative personnel and 2,768 other personnel.

Focusing on its development goals, the Company deepened the employment concept of “leaner organisation and higher efficiency, fewer people and better profitability”, formulated human resources plan and ensured the talent demand of each line of business. The Company administered strict control on total headcount and staff recruitment, promoted the optimisation of human resources allocation and accelerated the optimisation of staff structure.

Supported by technology improvement and staff skill enhancement, the Company adhered to the strategy of “precision with efficacy” to secure its competitive advantages by enhancing employees’ calibre and optimizing talent mix through a variety of effective means. With talented management and technical staff actively recruited through open recruitment, the Company continuously enhanced its level in business management and technology management. The Company built up its innovative platform for high-calibre talents to demonstrate their capabilities and skills and fully capitalised on their functions in solving difficulties in production technology, tackling technological problems, and passing on skills and techniques. To strengthen the training system, the Company attached importance to enhancing the basic skills of front-line staff as well as the competence of midlevel and senior management. The Company continuously reinforced its safe and efficient production foundation while efficiency was promoted by improvement of staff quality.

In the first half of 2017, while increasing efforts in the construction of its training systems, the Company focused on strengthening the quality education for its junior management staff with 320 management staff participating in the face-to-face training. Meanwhile, 300 employees from the management team members of the secondary enterprises participated in the online courses, with a total of 4,635 training hours. In addition, in an effort to actively broaden the enterprise management thoughts of middle-level management staff and enhance the capability in managerial innovation, the Company held the “Training Workshop for Senior Operation and Management Personnel” at China Business Executives Academy, Dalian for 50 staff including leaders from secondary enterprises and middle-level management staff from the headquarters. In order to consolidate the foundation of production safety, the Company also held the “Training Workshop for Safe Production” which focused on the key issues such as the new standards and procedures for safe production and ability enhancement in safety management, with 106 staff of the Company comprising employees in charge of safety and other relevant employees attending such training.

In terms of remuneration strategy for employees, the Company adhered to the basic principle of “salary rises as efficiency rises, salary drops as efficiency drops” and constructed a dynamic allocation system linking salaries to corporate earnings, job value and individual performance. The Company further strengthened the reform of internal income distribution mechanism, scientifically allocated income distribution resources and properly exerted the leverage of wage distribution, thus facilitating the healthy development of the Company.

# Disclosure of Major Events

## X. UPDATE ON DIRECTORS' AND SUPERVISORS' INFORMATION

During the reporting period, the movements of Directors and supervisors of the Company are as follows:

(1) On 17 March 2017, Mr. Gao Jianjun conveyed to the Board his request to resign from the posts of executive Director and the president of the Company, and ceased to serve as the chairman of the safety, health and environmental protection committee and a member of the strategic planning committee of the Board, and Mr. Qi Hegang, the vice president of the Company, shall perform the duties of the president until the appointment of the new president by the Board;

(2) With effect from 22 March 2017, Mr. Peng Yi was re-designated as an executive Director from a non-executive Director and was elected as the vice chairman of the Board, and ceased to be a member of audit and risk management committee of the Board;

(3) Mr. Zhao Pei and Mr. Ngai Wai Fung, each being an independent non-executive Director of the third session of the Board, resigned due to expiry of term of office;

(4) On 22 March 2017, Mr. Zhao Rongzhe conveyed to the supervisory committee his request to resign as a shareholder representative supervisor; and

(5) The 2016 annual general meeting of the Company held on 26 June 2017 duly approved the appointment of Mr. Zhang Chengjie and Mr. Leung Chong Shun as the independent non-executive Directors of the third session of the Board of the Company, the appointment of Mr. Du Ji'an as the non-executive Director of the third session of the Board of the Company and the appointment of Mr. Wang Wenzhang as shareholder representative supervisor of the third session of the supervisory committee of the Company. In light of the above, on the date of the 2016 annual general meeting, the Board resolved that with effect from 26 June 2017, the composition of the special committees of the Board was adjusted on the present basis as follows: (i) Mr. Peng Yi, the executive Director, was appointed as the chairman of the safety, health and environmental protection committee and the member of the strategic planning committee and ceased to be a member of remuneration committee; (ii) Mr. Liu Zhiyong, the non-executive Director, was appointed as the member of the strategic planning committee; (iii) Mr. Zhang Chengjie, the independent non-executive Director, was appointed as chairman of the nomination committee, the member of the strategic planning committee and audit and risk management committee; (iv) Mr. Du Ji'an, the non-executive Director, was appointed as the member of the audit and risk management committee and the remuneration committee; and (v) Mr. Leung Chong Shun, the independent non-executive Director, was appointed as the chairman of the remuneration committee, the member of audit and risk management committee and safety, health and environmental protection committee.

## XI. OTHER SIGNIFICANT EVENTS

### (I) Matters in relation to provision of guarantee by the wholly-owned subsidiary for the financing of Jingshen Railway Company

On 27 April 2017, the fourth meeting of the third session of the Board in 2017 considered and approved the "Proposal in respect of Provision of Guarantee by China Coal Shaanxi Company for the Project Financing of Shaanxi Jingshen Railway Company Limited in Proportion to Shareholding", granting consent to the provision of guarantee by China Coal Shaanxi Company to Jingshen Railway Company.

For details, please refer to the announcements of the Company published on the SSE Website, the HKSE Website and the Company Website on 27 April 2017.

### (II) Matters in relation to approval of Ordos Olefin Project

On 18 May 2017, the Inner Mongolia Development and Reform Commission issued the "Written Reply to the Approval of the Methanol-based Olefin Project (Phase II Coal Deep Processing Demonstration Project) of Zhongtian Synergetic Company", granting consents to the approval of Ordos Olefin Project and the construction of the methanol-based olefin project by Zhongtian Synergetic Company with an annual production capacity of 1.33 million tonnes of olefin.

For details, please refer to the announcements of the Company published on the SSE Website, the HKSE Website and the Company Website on 18 May 2017.

### (III) Matters in relation to adding, adjusting and setting the category and annual caps of connected transactions

On 27 April 2017, the fourth meeting of the third session of the Board in 2017 considered and approved the "Proposal in respect of Adding and Adjusting the Category and Annual Caps of Connected Transactions of the Company for 2017" and the "Proposal in respect of Setting the Exempt Annual Caps of the Continuing Connected Transactions of the Company for the years from 2018 to 2020", which have been approved by the 2016 annual general meeting of the Company.

For details, please refer to the announcements and circulars of the Company published on the SSE Website, the HKSE Website and the Company Website on 27 April 2017, 11 May 2017 and 26 June 2017, respectively.

# Disclosure of Major Events

## XII. SUBSEQUENT EVENTS

### (I) Issuance of the corporate bonds

The Company completed the public issuance of the 2017 first tranche corporate bonds in the amount of RMB1.0 billion on 20 July 2017, with a term of five years (3+2) and an annual interest rate of issuance at 4.61%.

### (II) Issuance of the short-term financing bonds

The Company completed the issuance of the 2017 first tranche of short-term financing bonds in the amount of RMB3.0 billion on 24 July 2017, with a term of 365 days and an interest rate for the issue of 4.53%.

### (III) Payment of short-term financing bonds due

On 3 August 2017, the Company completed the payment of the 2016 first tranche of short-term financing bonds due in the amount of RMB3.0 billion on time.

### (IV) Registration of medium-term notes

The Company successfully registered medium-term notes in the amount of RMB10 billion in August 2017.

## XIII. FORWARD-LOOKING STATEMENT

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

# Report on Review of Condensed Consolidated Financial Statements

**TO THE BOARD OF DIRECTORS OF**
**CHINA COAL ENERGY COMPANY LIMITED**
*(established in the People's Republic of China with limited liability)*

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Coal Energy Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 84, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 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 International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

# Report on Review of Condensed Consolidated Financial Statements

**TO THE BOARD OF DIRECTORS OF**
**CHINA COAL ENERGY COMPANY LIMITED (Continued)**
*(established in the People's Republic of China with limited liability)*

## 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 IAS 34.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*

Hong Kong
23 August 2017

# Condensed Consolidated Statement of Financial Position

As at 30 June 2017

| | Notes | At 30 June 2017 (Unaudited) RMB'000 | At 31 December 2016 (Audited) RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 6 | **127,166,745** | 128,239,858 |
| Investment properties | | **47,358** | 53,270 |
| Land use rights | | **4,696,861** | 5,038,319 |
| Mining and exploration rights | 7 | **32,962,853** | 33,673,946 |
| Intangible assets | 8 | **1,417,964** | 1,443,284 |
| Goodwill | | **6,084** | 6,084 |
| Investments in associates | | **12,508,230** | 12,008,565 |
| Investments in joint ventures | | **2,305,535** | 2,020,163 |
| Available-for-sale financial assets | | **5,463,905** | 5,467,784 |
| Deferred income tax assets | 17 | **3,412,559** | 2,982,306 |
| Long-term receivables | | **286,767** | 285,342 |
| Other non-current assets | 9 | **6,761,900** | 6,897,443 |
| **Total non-current assets** | | **197,036,761** | 198,116,364 |
| **Current assets** | | | |
| Inventories | 10 | **6,937,710** | 7,390,899 |
| Trade and notes receivables | 11 | **15,658,615** | 14,457,865 |
| Prepayments and other receivables | 12 | **6,619,870** | 7,424,173 |
| Restricted bank deposits | 13 | **2,069,254** | 1,919,510 |
| Term deposits with initial terms of over three months | | **2,136,304** | 3,455,113 |
| Cash and cash equivalents | | **13,644,397** | 9,893,779 |
| **Total current assets** | | **47,066,150** | 44,541,339 |
| **TOTAL ASSETS** | | **244,102,911** | 242,657,703 |
| **EQUITY** | | | |
| **Equity attributable to the equity holders of the Company** | | | |
| Share capital | 14 | **13,258,663** | 13,258,663 |
| Reserves | | **44,006,197** | 43,346,514 |
| Retained earnings | | **30,554,164** | 29,441,863 |
| | | **87,819,024** | 86,047,040 |
| **Non-controlling interests** | | **16,839,728** | 16,066,828 |
| **Total equity** | | **104,658,752** | 102,113,868 |

# Condensed Consolidated Statement of Financial Position

As at 30 June 2017

| | Notes | At 30 June 2017 (Unaudited) RMB'000 | At 31 December 2016 (Audited) RMB'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Long-term borrowings | *15* | **42,155,329** | 43,496,933 |
| Long-term bonds and payable | *16* | **25,872,582** | 25,900,417 |
| Deferred income tax liabilities | *17* | **7,203,039** | 6,738,669 |
| Deferred revenue | | **1,791,716** | 801,552 |
| Provision for employee benefits | | **65,624** | 70,936 |
| Provision for close down, restoration and environmental costs | *20* | **1,329,404** | 1,352,350 |
| Other long-term liabilities | | **798,557** | 767,242 |
| **Total non-current liabilities** | | **79,216,251** | 79,128,099 |
| **Current liabilities** | | | |
| Trade and notes payables | *18* | **19,870,928** | 21,160,146 |
| Accruals, advance and other payables | *19* | **11,421,114** | 12,725,542 |
| Short-term bonds | | **3,000,000** | 3,000,000 |
| Taxes payables | | **1,489,335** | 1,769,449 |
| Short-term borrowings | *15* | **7,419,047** | 6,573,031 |
| Current portion of long-term borrowings | *15* | **17,007,534** | 16,161,810 |
| Current portion of provision for close down, restoration and environmental costs | *20* | **19,950** | 25,758 |
| **Total current liabilities** | | **60,227,908** | 61,415,736 |
| **Total liabilities** | | **139,444,159** | 140,543,835 |
| **TOTAL EQUITY AND LIABILITIES** | | **244,102,911** | 242,657,703 |

The accompanying notes on pages 52 to 84 are an integral part of these condensed consolidated financial statements.

| **Li Yanjiang** | **Chai Qiaolin** | **Chai Qiaolin** |
|---|---|---|
| *Chairman of the Board* | *Chief Financial Officer* | *Manager of Finance Department* |
| *Executive Director* | | |

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2017** | 2016 |
| | | **(Unaudited)** | (Unaudited) |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| **Revenue** | *5* | **37,103,957** | 26,300,798 |
| **Cost of sales** | | | |
| Materials used and goods traded | | **(14,550,587)** | (11,051,857) |
| Staff costs | | **(1,700,820)** | (1,874,285) |
| Depreciation and amortisation | | **(2,892,021)** | (3,084,737) |
| Repair and maintenance | | **(672,770)** | (381,512) |
| Transportation costs and port expenses | | **(4,692,303)** | (4,167,377) |
| Sales taxes and surcharges | | **(1,145,921)** | (648,072) |
| Others | | **(2,943,719)** | (2,096,477) |
| **Cost of sales** | *21* | **(28,598,141)** | (23,304,317) |
| **Gross profit** | | **8,505,816** | 2,996,481 |
| Selling, general and administrative expenses | *21* | **(2,732,135)** | (1,949,884) |
| Other income | | **–** | 6,906 |
| Other gains, net | *22* | **26,857** | 993,953 |
| Finance income | *23* | **317,004** | 404,258 |
| Finance costs | *23* | **(1,899,208)** | (2,441,803) |
| Share of profits of associates and joint ventures | | **400,838** | 281,013 |
| **Profit before income tax** | | **4,619,172** | 290,924 |
| Income tax (expense) credit | *24* | **(1,088,479)** | 250,176 |
| **Profit for the period** | | **3,530,693** | 541,100 |
| **Profit attributable to:** | | | |
| Equity holders of the Company | | **2,279,918** | 225,134 |
| Non-controlling interests | | **1,250,775** | 315,966 |
| | | **3,530,693** | 541,100 |

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2017** | 2016 |
| | | **(Unaudited)** | (Unaudited) |
| | *Note* | ***RMB'000*** | *RMB'000* |
| **Other comprehensive income(loss):** | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Fair value changes on available-for-sale financial assets, net of tax | | **944** | (1,961) |
| Fair value loss on hedging instruments | | **–** | (592) |
| Currency translation differences | | **11,358** | 17,584 |
| Total items that may be reclassified subsequently to profit or loss | | **12,302** | 15,031 |
| **Other comprehensive income for the period, net of tax** | | **12,302** | 15,031 |
| **Total comprehensive income for the period** | | **3,542,995** | 556,131 |
| **Total comprehensive income attributable to:** | | | |
| Equity holders of the Company | | **2,292,220** | 240,165 |
| Non-controlling interests | | **1,250,775** | 315,966 |
| | | **3,542,995** | 556,131 |
| **Basic earnings per share(based on the profit attributable to the equity holders of the Company) (RMB Yuan)** | *25* | **0.17** | 0.02 |

The accompanying notes on pages 52 to 84 are an integral part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

| | Attributable to the equity holders of the Company | | | | | |
|---|---|---|---|---|---|---|
| | **Share capital** *RMB'000* | **Reserves** *RMB'000* | **Retained earnings** *RMB'000* | **Subtotal** *RMB'000* | **Non-controlling interests** *RMB'000* | **Total equity** *RMB'000* |
| **At 1 January 2016 (Audited)** | 13,258,663 | 42,775,332 | 27,673,574 | 83,707,569 | 16,574,854 | 100,282,423 |
| **Total comprehensive income for the six months ended 30 June 2016** | – | 15,031 | 225,134 | 240,165 | 315,966 | 556,131 |
| **Total transactions with owners, recognised directly in equity** | | | | | | |
| Appropriations | – | (279,715) | 279,715 | – | – | – |
| Share of changes in equity of associates | – | 10,964 | (10,964) | – | – | – |
| Dividends *(Note 26)* | – | – | – | – | (286,054) | (286,054) |
| Disposal of subsidiaries | – | (4,854) | 4,854 | – | 43,044 | 43,044 |
| Contributions | – | – | – | – | 68,460 | 68,460 |
| Other | – | (5,860) | – | (5,860) | – | (5,860) |
| **Total transactions with owners, recognised directly in equity** | – | (279,465) | 273,605 | (5,860) | (174,550) | (180,410) |
| **At 30 June 2016 (Unaudited)** | 13,258,663 | 42,510,898 | 28,172,313 | 83,941,874 | 16,716,270 | 100,658,144 |
| **At 1 January 2017 (Audited)** | **13,258,663** | **43,346,514** | **29,441,863** | **86,047,040** | **16,066,828** | **102,113,868** |
| **Total comprehensive income for the six months ended 30 June 2017** | **–** | **12,302** | **2,279,918** | **2,292,220** | **1,250,775** | **3,542,995** |
| **Total transactions with owners, recognised directly in equity** | | | | | | |
| Appropriations | **–** | **635,461** | **(635,461)** | **–** | **–** | **–** |
| Share of other change of reserve of associates and joint ventures | **–** | **11,920** | **(11,920)** | **–** | **–** | **–** |
| Dividends *(Note 26)* | **–** | **–** | **(514,532)** | **(514,532)** | **(216,161)** | **(730,693)** |
| Deemed disposal of a subsidiary *(Note)* | **–** | **–** | **–** | **–** | **(261,714)** | **(261,714)** |
| Other | **–** | **–** | **(5,704)** | **(5,704)** | **–** | **(5,704)** |
| **Total transactions with owners, recognised directly in equity** | **–** | **647,381** | **(1,167,617)** | **(520,236)** | **(477,875)** | **(998,111)** |
| **At 30 June 2017 (Unaudited)** | **13,258,663** | **44,006,197** | **30,554,164** | **87,819,024** | **16,839,728** | **104,658,752** |

*Note:*

中國煤礦機械裝備有限責任公司 ("Zhuangbei"), a subsidiary of the Company, and another shareholder each hold 50% equity interests in 西安煤礦機械有限公司 ("Ximeiji"). Ximeiji was previously accounted for as a subsidiary of Zhuangbei after consideration of the concerted action letter from the other shareholder of Ximeiji. In the current interim period, the concerted action letter was not renewed and accordingly Zhuangbei lost control over Ximeiji during the current period.

The accompanying notes on pages 52 to 84 are an integral part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

| | Note | Six months ended 30 June 2017 (Unaudited) *RMB'000* | 2016 (Unaudited) *RMB'000* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | *27* | **6,276,342** | 3,502,726 |
| Income tax paid | | **(940,110)** | (522,731) |
| Net cash generated from operating activities | | **5,336,232** | 2,979,995 |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | | **(2,650,087)** | (5,147,495) |
| Proceeds from disposals of property, plant and equipment | | **351,632** | 1,377,651 |
| Proceeds from disposals of land use rights, mining right and intangible assets | | **188,836** | – |
| Purchases of land use rights, mining rights and intangible assets | | **(321,305)** | (195,550) |
| Proceeds from disposals of available-for-sale financial assets | | **5,138** | – |
| Refund of prepayment for investments | | **–** | 224,759 |
| Payment for acquisition of subsidiaries | | **(144,401)** | (141,861) |
| Payment for investments in associates | | **(650)** | (613,025) |
| Payment of prior year's acquisition consideration | | **–** | (19,037) |
| Payment for investments in joint ventures | | **(5,000)** | – |
| Proceeds from disposal of an associate | | **358** | – |
| Loan repayment from a subsidiary disposed of | | **649,673** | 1,560,227 |
| Consideration received in relation to disposal of subsidiaries in prior years | | **–** | 435,302 |
| Net cash (outflow)/inflow on disposal of subsidiaries, net of cash held by the subsidiaries being disposed | | **(254,800)** | 170,748 |
| Dividends received | | **102,454** | 68,949 |
| Loan repayment from a joint venture | | **302,000** | – |
| A loan granted to an associate | | **–** | (1,550,000) |
| Loans granted to fellow subsidiaries | | **(2,400,000)** | (2,730,000) |
| Loan repayment from an associate | | **–** | 3,100,000 |
| Loan repayment from fellow subsidiaries | | **2,450,000** | 1,330,000 |
| Government grants received | | **1,033,701** | 670 |
| Placement of restricted bank deposits | | **(149,744)** | – |
| Interest income on loan receivables | | **76,999** | 100,662 |
| Interest income on term deposits | | **53,658** | 345,351 |
| Decrease in term deposits with initial terms of over three months | | **1,318,809** | 5,943,907 |
| **Net cash generated from investing activities** | | **607,271** | 4,261,258 |

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2017** | 2016 |
| | | **(Unaudited)** | (Unaudited) |
| | *Note* | ***RMB'000*** | *RMB'000* |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | **11,406,524** | 6,860,845 |
| Repayments of borrowings | | **(11,021,388)** | (8,356,042) |
| Proceeds of borrowings from a non-controlling shareholder | | **4,373** | 12,000 |
| Payments for purchase of non-controlling interests of a subsidiary in prior years | | **(157,981)** | – |
| Contributions from non-controlling shareholders | | **–** | 68,460 |
| Dividends paid to non-controlling shareholders | | **(24,718)** | (271,700) |
| Bonds issuance costs | | **(58,200)** | (62,550) |
| Interest paid | | **(2,342,349)** | (2,333,315) |
| **Net cash used in financing activities** | | **(2,193,739)** | (4,082,302) |
| **Net increase in cash and cash equivalents** | | **3,749,764** | 3,158,951 |
| Cash and cash equivalents, at beginning of the period | | **9,893,779** | 11,195,663 |
| Effect of foreign exchange rate changes | | **854** | 3,177 |
| **Cash and cash equivalents at end of the period** | | **13,644,397** | 14,357,791 |

The accompanying notes on pages 52 to 84 are an integral part of these condensed consolidated financial statements.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 1. ORGANISATION AND PRINCIPAL ACTIVITIES

China Coal Energy Company Limited (the "Company") was established in the People's Republic of China (the "PRC") on 22 August 2006 as a joint stock company with limited liability under the Company Law of the PRC as a result of a group restructuring of China National Coal Group Corporation ("China Coal Group" or the "Parent Company") in preparing for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Restructuring"). The Company and its subsidiaries (collectively the "Group") is principally engaged in mining and processing of coal, sales of coal, manufacturing and sales of coal chemical products, manufacturing and sales of coal mining machinery and finance services. The address of the Company's registered office is No.1 Huangsidajie, Chaoyang District, Beijing, the PRC.

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

These condensed consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

## 2. BASIS OF PREPARATION

These condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### 2.1 Going-concern basis

As at 30 June 2017, the Group's current liabilities exceeded its current assets by approximately RMB13,162 million. To raise the fund required for the short-term repayment, the Group has planned to utilise the following:

- Short-term bonds of RMB10,000 million registered with National Association of Financial Market Institutional Investors in July 2016, of which RMB3,000 million has been issued in August 2016 and RMB3,000 million has been issued in July 2017;
- Corporate bonds of RMB8,000 million to be issued, of which RMB1,000 million has been issued in July 2017;
- Long-term bonds of RMB10,000 million registered with National Association of Financial Market Institutional Investors in August 2017;
- The Group's expected net cash flow from operating activities for the next 12 months;
- Banking facilities available for draw-down of new loans when necessary; and
- Other sources of financing given the Group's credit rating and long-term relationship with reputable domestic banks and other financial institutions.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing these condensed consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016. In addition, the Group applies the following accounting policies which are relevant to the Group during the current interim period.

*Property, plant and equipment*

The costs of testing whether a property, plant and equipment under construction is functioning properly, after deducting the net proceeds from selling any items produced are included as costs of the relevant property, plant and equipment.

To the extent the proceeds from selling items produced exceed the costs of testing, such excess is deducted from the cost of the relevant property, plant and equipment.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs") issued by IASB that are relevant for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| Amendments to IAS 7 | *Disclosure Initiative* |
| Amendments to IAS 12 | *Recognition of Deferred Tax Assets for Unrealised Losses* |
| Amendments to IFRS 12 | *As part of the Annual Improvements to IFRSs 2014 – 2016 Cycle* |

The application of the amendments to IFRSs 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. Additional disclosures relating to the reconciliation of liabilities arising from financing activities will be provided in the consolidated financial statements for the year ending 31 December 2017 in accordance with the amendments to IAS 7.

## 4. ESTIMATES

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

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

## 5. SEGMENT INFORMATION

### 5.1 General information

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

The chief operating decision maker ("CODM") has been identified as the President Office (總裁辦公會).

The Group's reportable segments are entities or group of entities that offer different products and services. The following reportable segments are presented in a manner consistent with the way in which information is reported internally to the Group's CODM for the purpose of resources allocation and performance assessment. They are managed according to different nature of products and services, production process and the environment in which they are operating. Most of these entities engage in single business under one operating segment, except for a few entities dealing with a variety of operations. Financial information of entities operating more than one segment have been separately presented as discrete segment information for CODM's review.

#### *(b) Reportable and operating segments*

The Group's reportable segments are coal, coal chemical product, mining machinery and finance.

- Coal – Production and sales of coal;
- Coal chemical product – Production and sales of coal chemical products;
- Mining machinery – Manufacturing and sales of mining machinery;
- Finance – Providing deposit, loan, bill acceptance and discount and other financial services to the entities within the Group and China Coal Group.

In addition, segments relating to aluminium, electricity generating, equipment trading agency services, tendering services and other insignificant manufacturing businesses which are not reportable were combined and disclosed in 'other' segment category.

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

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

The CODM evaluates performance on the basis of profit or loss before income tax expense. The Group accounts for inter-segment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices. The amounts of segment information are denominated in RMB, which is consistent with the amounts in the reports used by the CODM.

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

# 5. SEGMENT INFORMATION (CONTINUED)

## 5.2 Information about reportable segment profit, assets and liabilities (continued)

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

| | For the six months ended 30 June 2017 (unaudited) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Coal *RMB'000* | Coal chemical product *RMB'000* | Machinery *RMB'000* | Finance *RMB'000* | Reportable segment total *RMB'000* | Others *RMB'000* | Unallocated *RMB'000* | Inter -segment elimination *RMB'000* | Total *RMB'000* |
| **Revenue** | | | | | | | | | |
| Total Revenue | 30,809,513 | 4,576,179 | 2,484,443 | – | 37,870,135 | 974,315 | – | (1,740,493) | 37,103,957 |
| Inter-segment revenue | (1,367,121) | (13,129) | (135,886) | – | (1,516,136) | (224,357) | – | 1,740,493 | – |
| Revenue from external customers | 29,442,392 | 4,563,050 | 2,348,557 | – | 36,353,999 | 749,958 | – | – | 37,103,957 |
| **Profit(loss) from operations** | 5,677,654 | 485,590 | 81,890 | (17,456) | 6,227,678 | (228,485) | (132,724) | (65,931) | 5,800,538 |
| **Profit(loss) before income tax** | 5,096,301 | 342,655 | 26,354 | 199,596 | 5,664,906 | (235,618) | (743,390) | (66,726) | 4,619,172 |
| Interest income | 67,674 | 49,581 | 3,298 | 276,106 | 396,659 | 2,620 | 617,233 | (699,508) | 317,004 |
| Interest expense | (633,523) | (464,350) | (45,635) | (58,909) | (1,202,417) | (8,856) | (1,371,657) | 698,528 | (1,884,402) |
| Depreciation and amortisation | (2,078,675) | (841,943) | (189,996) | (788) | (3,111,402) | (196,740) | (15,790) | – | (3,323,932) |
| Share of profits of associates and joint ventures | 9,883 | 272,071 | (12,432) | – | 269,522 | – | 131,316 | – | 400,838 |
| Income tax (expense)/credit | (1,124,181) | (55,632) | 3,058 | (49,920) | (1,226,675) | (58,427) | 212,131 | (15,508) | (1,088,479) |
| **Other material on-cash items** | | | | | | | | | |
| Provisions for impairment of property, plant and equipment | – | (215,891) | – | – | (215,891) | – | – | – | (215,891) |
| Provision for/(reversal of) impairment of other assets | (551,052) | 6 | (44,279) | (9,822) | (605,147) | (786) | – | 9,971 | (595,962) |
| **Segment assets and liabilities** | | | | | | | | | |
| Total assets | 132,437,469 | 48,623,421 | 16,994,616 | 4,778,194 | 202,833,700 | 12,652,314 | 32,762,233 | (4,145,336) | 244,102,911 |
| Include: investment in associates and joint ventures | 2,662,192 | 605,528 | 522,972 | – | 3,790,692 | – | 11,023,073 | – | 14,813,765 |
| Addition to non-current assets | 3,557,113 | 331,527 | 89,142 | – | 3,977,782 | 5,158 | 6,379 | – | 3,989,319 |
| Total liabilities | 37,965,051 | 22,906,513 | 5,922,583 | 2,554,811 | 69,348,958 | 4,886,693 | 69,339,112 | (4,130,604) | 139,444,159 |

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 5. SEGMENT INFORMATION (CONTINUED)

### 5.2 Information about reportable segment profit, assets and liabilities (continued)

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

| | For the six months ended 30 June 2016 (unaudited) and as at 31 December 2016 (audited) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Coal | Coal chemical product | Machinery | Finance | Reportable segment total | Others | Unallocated | Inter-segment elimination | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Revenue** | | | | | | | | | |
| Total revenue | 18,700,085 | 5,598,583 | 1,930,992 | – | 26,229,660 | 1,343,303 | – | (1,272,165) | 26,300,798 |
| Inter-segment revenue | (754,744) | (12,979) | (153,938) | – | (921,661) | (350,504) | – | 1,272,165 | – |
| Revenue from external customers | 17,945,341 | 5,585,604 | 1,777,054 | – | 25,307,999 | 992,799 | – | – | 26,300,798 |
| **Profit(loss) from operations** | 94,431 | 1,542,039 | 218,807 | (16,314) | 1,838,963 | 343,510 | (157,607) | 22,590 | 2,047,456 |
| **Profit(loss) before income tax** | (578,933) | 1,097,803 | 180,663 | 191,119 | 890,652 | 335,211 | (956,005) | 21,066 | 290,924 |
| Interest income | 25,158 | 61,450 | 6,507 | 318,200 | 411,315 | 3,161 | 753,212 | (763,430) | 404,258 |
| Interest expense | (717,509) | (524,341) | (46,413) | (110,635) | (1,398,898) | (11,505) | (1,774,018) | 761,907 | (2,422,514) |
| Depreciation and amortisation | (2,000,641) | (930,065) | (190,715) | (784) | (3,122,205) | (198,678) | (17,616) | – | (3,338,499) |
| Share of profits of associates and joint ventures | 37,574 | 18,837 | 2,182 | – | 58,593 | 4 | 222,416 | – | 281,013 |
| Income tax credit/(expense) | 13,428 | 20,871 | (11,318) | (47,828) | (24,847) | (8,535) | 293,071 | (9,513) | 250,176 |
| **Other material non-cash items** | | | | | | | | | |
| Provision for impairment of property, plant and equipment | (26,725) | (11,501) | – | – | (38,226) | – | (4,465) | – | (42,691) |
| Provision for impairment of other assets | (3,357) | – | (14,204) | (3,920) | (21,481) | (30,132) | – | (14,080) | (65,693) |
| **Segment assets and liabilities** | | | | | | | | | |
| Total assets | 130,944,969 | 50,026,481 | 17,644,136 | 6,008,183 | 204,623,769 | 7,039,922 | 32,842,905 | (1,848,893) | 242,657,703 |
| Include: investment in associates and joint ventures | 2,424,305 | 547,308 | 37,273 | – | 3,008,886 | 356 | 11,019,486 | – | 14,028,728 |
| Addition to non-current assets | 8,832,716 | 2,182,876 | 194,573 | 150 | 11,210,315 | 438,249 | (33,926) | – | 11,614,638 |
| Total liabilities | 44,831,994 | 24,409,957 | 5,835,650 | 3,583,547 | 78,661,148 | 2,873,601 | 60,856,386 | (1,847,300) | 140,543,835 |

## 5. SEGMENT INFORMATION (CONTINUED)

### 5.3 Geographical information

***Analysis of revenue***

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **Unaudited** | Unaudited |
| | ***RMB'000*** | *RMB'000* |
| Domestic markets | **36,815,762** | 25,754,665 |
| Overseas markets | **288,195** | 546,133 |
| | **37,103,957** | 26,300,798 |

*Note:*

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

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

| | **30 June** | 31 December |
|---|---|---|
| | **2017** | 2016 |
| | **Unaudited** | Audited |
| | ***RMB'000*** | *RMB'000* |
| Domestic | **187,873,002** | 189,380,420 |
| Overseas | **528** | 512 |
| | **187,873,530** | 189,380,932 |

*Note:*

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

## 6. PROPERTY, PLANT AND EQUIPMENT

| | **30 June 2017 Unaudited** ***RMB'000*** | 30 June 2016 Unaudited *RMB'000* |
|---|---|---|
| Opening net book amount | **128,239,858** | 128,805,171 |
| Additions | **3,884,537** | 5,449,096 |
| Transfer from mining rights and exploration rights | **–** | 12,379 |
| Transfer from land use rights | **–** | 556 |
| Transfer to land use rights | **–** | (92,705) |
| Disposals | **(405,164)** | (223,576) |
| Disposal of subsidiaries | **–** | (1,855,523) |
| Deemed disposal of a subsidiary | **(497,402)** | – |
| Net income from mine trial run | **(636,101)** | – |
| Depreciation charges | **(3,203,092)** | (3,234,596) |
| Provision for impairment *(Note)* | **(215,891)** | – |
| Closing net book amount | **127,166,745** | 128,860,802 |

*Note:*

During this current interim period, the Company decided to suspend indefinitely certain construction in progress projects due to the changes of the market condition. The impairment loss amounting to RMB215,891,000 (six months ended 30 June 2016: nil) was provided in full for those construction in progress.

## 7. MINING AND EXPLORATION RIGHTS

| | Mining rights | Exploration rights | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Unaudited** | | | |
| Balance at 1 January 2017 | **12,706,797** | **20,967,149** | **33,673,946** |
| Additions | **1,734** | **201** | **1,935** |
| Impairment *(Note)* | **(493,551)** | **–** | **(493,551)** |
| Amortisation charges | **(219,477)** | **–** | **(219,477)** |
| Balance at 30 June 2017 | **11,995,503** | **20,967,350** | **32,962,853** |
| **Unaudited** | | | |
| Balance at 1 January 2016 | 13,033,313 | 19,810,494 | 32,843,807 |
| Additions | 34 | 1,000,003 | 1,000,037 |
| Transfer to property, plant and equipment | (12,379) | – | (12,379) |
| Amortisation charges | (130,099) | – | (130,099) |
| Balance at 30 June 2016 | 12,890,869 | 20,810,497 | 33,701,366 |

*Note:*

As at 30 June 2017, the directors of the Company performed impairment assessment on the Group's mining rights and the Group recognised losses on impairment of mining rights of RMB324,794,000 (six-month ended 30 June 2016: nil) and RMB168,757,000 (six-month ended 30 June 2016: nil) in relation to the Group's coal mines in Shanxi Yangquan Yuxian Yuquan Coal Industry Co., Ltd. and Shanxi China Coal Dongpo Coal Industry Company Limited, respectively, in view of the coal reserve below the original expectation during the coal production carried out in the current period.

The recoverable amounts of the mining rights have been determined on the basis of their fair values less costs of disposal determined using the income approach, which use cash flow projections of the respective coal mines based on financial budgets over their life as approved by the directors.

## 8. INTANGIBLE ASSETS

| | Technical know-how RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Unaudited** | | | |
| Balance at 1 January 2017 | **986,840** | **456,444** | **1,443,284** |
| Additions | **–** | **23,097** | **23,097** |
| Amortisation charge | **(24,988)** | **(23,429)** | **(48,417)** |
| Balance at 30 June 2017 | **961,852** | **456,112** | **1,417,964** |
| **Unaudited** | | | |
| Balance at 1 January 2016 | 944,729 | 418,305 | 1,363,034 |
| Additions | 64,681 | 16,389 | 81,070 |
| Disposal of subsidiaries | – | (667) | (667) |
| Amortisation charge | (28,650) | (18,418) | (47,068) |
| Balance at 30 June 2016 | 980,786 | 415,609 | 1,396,369 |

## 9. OTHER NON-CURRENT ASSETS

| | **30 June 2017 Unaudited** *RMB'000* | 31 December 2016 Audited *RMB'000* |
|---|---|---|
| Prepayments for investments in subsidiaries *(Note (a))* | **2,737,870** | 2,535,856 |
| Prepayments for mining and exploration rights *(Note (b))* | **1,357,195** | 1,357,195 |
| Prepayments for constructions in progress and equipment | **31,786** | 31,293 |
| Prepayments for land use rights | **794,637** | 833,028 |
| Deductible value added tax | **371,031** | 511,297 |
| Loans to fellow subsidiaries *(Note (c))* | **811,800** | 811,800 |
| Prepaid income tax | **141,926** | 282,071 |
| Others | **515,655** | 534,903 |
| Total | **6,761,900** | 6,897,443 |

*Notes:*

(a) In line with the Group's strategy of expanding its coal resources, the Group has entered into a series of agreements for the acquisitions and restructuring of several local coal mines. As the relevant legal procedures are still in process, such payments are recorded as other non-current assets.

(b) As the relevant legal procedures related to mining and exploration licenses are still in process, such payments are recorded as other non-current assets. These prepayments will be transferred to mining and exploration rights upon completion of related legal procedures.

(c) The loans to fellow subsidiaries are unsecured and repayable after 12 months from the balance sheet date with the interest rate of 4.75% per annum.

## 10. INVENTORIES

| | **30 June 2017 Unaudited** ***RMB'000*** | 31 December 2016 Audited *RMB'000* |
|---|---|---|
| Coal | **643,325** | 830,731 |
| Machinery for sale | **2,613,774** | 3,515,319 |
| Coal chemical products | **571,354** | 632,827 |
| Auxiliary materials, spare parts and tools | **3,109,257** | 2,412,022 |
| | **6,937,710** | 7,390,899 |

*Note:*

The allowance of inventories of the Group amounted to RMB109,492,000 as at 30 June 2017 (31 December 2016: RMB106,879,000).

## 11. TRADE AND NOTES RECEIVABLES

| | **30 June 2017 Unaudited** ***RMB'000*** | 31 December 2016 Audited *RMB'000* |
|---|---|---|
| Trade receivables, net *(Note (a))* | **7,940,025** | 7,658,899 |
| Notes receivables *(Note (b))* | **7,718,590** | 6,798,966 |
| | **15,658,615** | 14,457,865 |

*Notes:*

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

| | **30 June 2017 Unaudited** ***RMB'000*** | 31 December 2016 Audited *RMB'000* |
|---|---|---|
| Within 6 months | **4,734,510** | 3,805,284 |
| 6 months – 1 year | **1,423,987** | 1,845,796 |
| 1 – 2 years | **1,106,282** | 1,396,583 |
| 2 – 3 years | **583,227** | 626,967 |
| Over 3 years | **552,245** | 509,454 |
| Trade receivables, gross | **8,400,251** | 8,184,084 |
| Less: Impairment of receivables | **(460,226)** | (525,185) |
| Trade receivables, net | **7,940,025** | 7,658,899 |

## 11. TRADE AND NOTES RECEIVABLES (CONTINUED)

*Notes: (continued)*

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

The individually impaired receivables primarily relate to circumstances when there is objective evidence that the Group will not be able to recover the proceeds on the original terms of the trade receivables.

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

The Group does not hold any collateral as security.

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

(b) Notes receivables are principally bank accepted bills of exchange due within one year based on the invoice date (31 December 2016: within one year).

(c) The carrying amounts of trade and notes receivables are denominated in the following currencies:

| | **30 June 2017** | 31 December 2016 |
|---|---|---|
| | **Unaudited** | Audited |
| | ***RMB'000*** | *RMB'000* |
| RMB | **15,585,811** | 14,377,018 |
| USD | **72,804** | 80,847 |
| | **15,658,615** | 14,457,865 |

(d) The carrying amounts of trade and notes receivables approximate their fair values.

(e) As at 30 June 2017, notes receivables with amount of RMB107,697,000 (31 December 2016: RMB298,331,000) are pledged to banks for notes payables amounted to RMB107,697,000 (2016: RMB296,952,000).

As at 30 June 2017, notes receivables with amount of RMB162,900,000 (31 December 2016: RMB199,883,000) are pledged to banks for short term loan amounted to RMB162,900,000 (31 December 2016: RMB199,883,000).

As at 30 June 2017, there are no trade receivables (31 December 2016: RMB37,926,000) being pledged to banks for short term loan (31 December 2016: RMB35,000,000).

## 12. PREPAYMENTS AND OTHER RECEIVABLES

| | 30 June 2017 Unaudited *RMB'000* | 31 December 2016 Audited *RMB'000* |
|---|---|---|
| Advances to suppliers | **1,528,437** | 1,292,869 |
| Entrusted loans | **1,050,000** | 1,462,000 |
| Interest receivable | **53,998** | 74,698 |
| Dividends receivable | **102,738** | 85,970 |
| Loan to the Parent Company and fellow subsidiaries *(Note)* | **1,138,500** | 1,188,000 |
| Other amounts due from related parties, gross | **763,137** | 1,210,551 |
| Other amounts due from third parties, gross | **2,405,968** | 2,488,131 |
| | **7,042,778** | 7,802,219 |
| Less: Impairment of prepayment and other receivables | **(422,908)** | (378,046) |
| Prepayments and other receivables, net | **6,619,870** | 7,424,173 |

*Note:*

The loans to the Parent Company and fellow subsidiaries are unsecured and repayable within 12 months from the balance sheet date with the interest rate ranging from 4.35% to 4.79% per annum.

## 13. RESTRICTED BANK DEPOSITS

Restricted bank deposits mainly include the deposits set aside for the transformation fund and the environmental protection fund as required by the regulations, deposits pledged for issuance of notes payable and the mandatory reserve deposits in the People's Bank of China.

## 14. SHARE CAPITAL

| | Number of shares *(thousands)* | Nominal value *RMB'000* |
|---|---|---|
| At 1 January 2016 and 31 December 2016, and 30 June 2017 | | |
| Domestic shares ("A shares") of RMB1.00 each | | |
| – held by China Coal Group | 7,605,208 | 7,605,208 |
| – held by other shareholders | 1,546,792 | 1,546,792 |
| H shares of RMB1.00 each | | |
| – held by a wholly-owned subsidiary of China Coal Group | 132,351 | 132,351 |
| – held by other shareholders | 3,974,312 | 3,974,312 |
| | 13,258,663 | 13,258,663 |

There is no movement in the Company's issued share capital during the six-month period ended 30 June 2017 and 2016.

(a) The A shares rank pari passu, in all material respects, with the H shares.

(b) As at 30 June 2017, China Coal Hong Kong Company Limited, a wholly-owned subsidiary of China Coal Group, held approximately 132,351,000 H Shares of the Company, representing approximately 1.00% of the Company's total share capital.

## 15. BORROWINGS

| | **30 June 2017 Unaudited *RMB'000*** | 31 December 2016 Audited *RMB'000* |
|---|---|---|
| **Long-term borrowings** | | |
| Bank loans and loans from other financial institutions | | |
| – Secured | **4,545,971** | 5,359,643 |
| – Guaranteed | **7,771,514** | 2,287,576 |
| – Unsecured | **46,683,378** | 51,849,524 |
| | **59,000,863** | 59,496,743 |
| Loan from non-controlling shareholders of subsidiaries | | |
| – Unsecured | **162,000** | 162,000 |
| | **59,162,863** | 59,658,743 |
| Less: Amount due within one year under current liabilities | **(17,007,534)** | (16,161,810) |
| | **42,155,329** | 43,496,933 |
| **Short-term borrowings** | | |
| Bank loans and loans from other financial institutions | | |
| – Secured | **182,900** | 259,883 |
| – Guaranteed | **82,000** | 30,000 |
| – Unsecured | **7,154,147** | 6,283,148 |
| | **7,419,047** | 6,573,031 |
| **Total borrowings** | **66,581,910** | 66,231,774 |

(a) The movements in borrowings are analysed below:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2017 Unaudited *RMB'000*** | 2016 Unaudited *RMB'000* |
| Opening balance | **66,231,774** | 70,157,103 |
| Additions | **11,406,524** | 8,421,072 |
| Payments | **(11,021,388)** | (8,356,042) |
| Disposal of subsidiaries | **–** | (2,134,077) |
| Deemed disposal of a subsidiary | **(35,000)** | – |
| Ending balance | **66,581,910** | 68,088,056 |

## 15. BORROWINGS (CONTINUED)

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

| | **30 June 2017 Unaudited** | 31 December 2016 Audited |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Bank loans and loans from other financial institutions** | | |
| – Within one year | **17,007,534** | 16,161,810 |
| – In the second year | **8,116,992** | 12,949,758 |
| – In the third to fifth year | **20,518,923** | 17,926,769 |
| – After the fifth year | **13,357,414** | 12,458,406 |
| | **59,000,863** | 59,496,743 |
| **Loans from non-controlling shareholders of subsidiaries** | | |
| – In the second year | **10,000** | 60,000 |
| – In the third to fifth year | **50,000** | – |
| – After the fifth year | **102,000** | 102,000 |
| | **162,000** | 162,000 |

## 16. LONG-TERM BONDS AND PAYABLE

| | **30 June 2017 Unaudited** | 31 December 2016 Audited |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Mid-term bonds | **25,740,582** | 25,744,417 |
| Commission payable – non-current | **132,000** | 156,000 |
| | **25,872,582** | 25,900,417 |

The bonds are initially recognised at the amount of the total proceeds net of the commission paid or payable on the date of issuance. The accrued interest and the current portion of commission payable are recorded in accruals, advance and other payables.

## 17. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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

| | **Deferred income tax assets** | **Deferred income tax liabilities** | **Total** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Opening balance at 1 January 2017 (Audited) | **2,982,306** | **(6,738,669)** | **(3,756,363)** |
| Credited (charge) to income statement | **500,341** | **(519,258)** | **(18,917)** |
| Charge to other comprehensive income | **–** | **(315)** | **(315)** |
| Deemed disposal of a subsidiary | **(16,922)** | **2,037** | **(14,885)** |
| Ending balance at 30 June 2017 (Unaudited) | **3,465,725** | **(7,256,205)** | |
| Offset amount | **(53,166)** | **53,166** | |
| | **3,412,559** | **(7,203,039)** | |
| Opening balance at 1 January 2016 (Audited) | 2,507,196 | (6,903,194) | (4,395,998) |
| Credited to income statement | 370,683 | 121,203 | 491,886 |
| Credited to other comprehensive income | – | 654 | 654 |
| Disposals of subsidiaries | (40,166) | – | (40,166) |
| Ending balance at 30 June 2016 (Unaudited) | 2,837,713 | (6,781,337) | |
| Offset amount | (23,502) | 23,502 | |
| | 2,814,211 | (6,757,835) | |

## 18. TRADE AND NOTES PAYABLES

| | 30 June 2017 Unaudited *RMB'000* | 31 December 2016 Audited *RMB'000* |
|---|---|---|
| Trade payables *(Note (a))* | **17,482,412** | 18,113,862 |
| Notes payables | **2,388,516** | 3,046,284 |
| | **19,870,928** | 21,160,146 |

*Note:*

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

| | 30 June 2017 Unaudited *RMB'000* | 31 December 2016 Audited *RMB'000* |
|---|---|---|
| Less than 1 year | **12,245,158** | 11,957,285 |
| 1 – 2 years | **2,017,522** | 4,428,746 |
| 2 – 3 years | **2,268,379** | 792,699 |
| Over 3 years | **951,353** | 935,132 |
| | **17,482,412** | 18,113,862 |

## 19. ACCRUALS, ADVANCE AND OTHER PAYABLES

| | **30 June 2017** | 31 December 2016 |
|---|---|---|
| | **Unaudited** | Audited |
| | ***RMB'000*** | *RMB'000* |
| Customer deposits and receipts in advance | **1,881,479** | 2,368,889 |
| Payable for acquisition of subsidiaries | **775,852** | 1,007,923 |
| Payable for compensation for local mining companies | **187,547** | 200,600 |
| Dividends payable | **885,715** | 332,614 |
| Payables for site restoration | **168,236** | 218,308 |
| Mineral and water resource compensation payable | **38,112** | 40,338 |
| Salaries and staff welfare payable | **898,542** | 835,609 |
| Interest payable | **1,032,583** | 813,536 |
| Payables for mining rights | **152,593** | 256,466 |
| Advance from a non-controlling shareholder of a subsidiary | **128,852** | 128,852 |
| Contractor deposits | **513,054** | 555,126 |
| Deposits from fellow subsidiaries *(Note)* | **2,395,271** | 3,402,838 |
| Other amounts due to related parties | **621,871** | 571,629 |
| Other amounts due to third parties | **1,741,407** | 1,992,814 |
| | **11,421,114** | 12,725,542 |

*Note:*

The balance represents fellow subsidiaries' deposits in the saving account at China Coal Finance Company Limited ("China Coal Finance"), a 91% owned subsidiary of the Group. The deposits are unsecured and payable on demand or due within 12 month from the balance sheet date, with interest rates ranged from 0.35% to 3.15% per annum.

## 20. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

| | **30 June 2017** | 30 June 2016 |
|---|---|---|
| | **Unaudited** | Unaudited |
| | ***RMB'000*** | *RMB'000* |
| Opening balance | **1,378,108** | 1,332,372 |
| Unwinding of discount | **19,312** | 19,557 |
| Provisions | **9,609** | 62,639 |
| Reversal | **(46,768)** | – |
| Payments | **(10,907)** | (13,509) |
| Ending balance | **1,349,354** | 1,401,059 |
| Less: current portion | **(19,950)** | (24,004) |
| | **1,329,404** | 1,377,055 |

## 21. EXPENSES BY NATURE

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

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **Unaudited** | Unaudited |
| | ***RMB'000*** | *RMB'000* |
| Depreciation | **2,971,214** | 3,097,223 |
| Amortisation | **352,718** | 241,276 |
| Materials used and goods traded | **14,550,587** | 11,051,857 |
| Transportation costs and port expenses | **4,692,303** | 4,167,377 |
| Sales tax and surcharges | **1,312,137** | 648,072 |
| Auditors' remuneration | **1,650** | 2,230 |
| Repair and maintenance | **678,059** | 387,297 |
| Operating lease rentals | **53,408** | 46,093 |
| Allowance for inventories | **1,259** | 27,896 |
| Provision for impairment of receivables | **100,079** | 37,797 |
| Provision for impairment of property, plant and equipment | **215,891** | 42,691 |
| Provision for impairment of mining and exploration rights | **493,551** | – |
| Employee benefit expense (including directors' emoluments) | **2,607,444** | 2,748,390 |
| Mineral and water resource compensation fees | **22,011** | 30,457 |
| Other expenses | **3,277,965** | 2,725,545 |
| Total cost of sales, selling, general and administrative expenses | **31,330,276** | 25,254,201 |

## 22. OTHER GAINS, NET

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **Unaudited** | Unaudited |
| | ***RMB'000*** | *RMB'000* |
| Gains on disposal of subsidiaries | **–** | 929,307 |
| Others | **26,857** | 64,646 |
| | **26,857** | 993,953 |

## 23. FINANCE INCOME AND COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **Unaudited** | Unaudited |
| | ***RMB'000*** | *RMB'000* |
| Interest expense: | | |
| – Borrowings and short-term bonds | **1,858,250** | 1,897,685 |
| – Long-term bonds and payable | **704,053** | 1,141,504 |
| – Unwinding of discount | **34,324** | 54,364 |
| Other incidental borrowing costs and charges | **3,672** | 4,890 |
| Net foreign exchange losses | **11,134** | 14,399 |
| Finance costs | **2,611,433** | 3,112,842 |
| Less: amounts capitalised on qualifying assets | **(712,225)** | (671,039) |
| Total finance costs | **1,899,208** | 2,441,803 |
| Finance income: | | |
| – interest income on bank deposits | **240,005** | 303,596 |
| – interest income on loans to related parties | **76,999** | 100,662 |
| Total finance income | **317,004** | 404,258 |
| Finance costs, net | **1,582,204** | 2,037,545 |

*Note:*

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

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **Unaudited** | Unaudited |
| Capitalisation rate used to determine the amount of finance costs eligible for capitalisation | 4.70%-5.40% | 4.84%-6.80% |

## 24. INCOME TAX EXPENSE (CREDIT)

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **Unaudited** | Unaudited |
| | ***RMB'000*** | *RMB'000* |
| Current income tax | | |
| – PRC enterprise income tax *(Note (a))* | **1,069,562** | 241,710 |
| Deferred income tax *(Note 17)* | **18,917** | (491,886) |
| | **1,088,479** | (250,176) |

*Note:*

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

## 25. EARNINGS PER SHARE

Basic earnings per share for the six months ended 30 June 2017 and 2016 is calculated by dividing the profit attributable to equity holders of the Company by the number of 13,258,663,000 ordinary shares in issue during the period.

No diluted earnings per share was presented as the Company had no potential ordinary shares in issue for the six months ended 30 June 2017 and 2016.

## 26. DIVIDENDS

During the current interim period, a final dividend of RMB0.039 per share in respect of the year ended 31 December 2016, comprising 13,258,663,000 shares existed as at 31 December 2016 was approved at the annual general meeting of the Company held on 26 June 2017. The aggregate amount of the final dividends approved in the current interim period amounted to RMB514,532,000 (2015 final dividends approved during the six months ended 30 June 2016: nil).

The directors of the Company do not recommend the payment of an interim dividend for the current interim period (six months ended 30 June 2016: nil).

## 27. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Reconciliation of profit before income tax to cash generated from operations

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **Unaudited** | Unaudited |
| | ***RMB'000*** | *RMB'000* |
| Profit before income tax | **4,619,172** | 290,924 |
| Adjustments for: | | |
| Property, plant and equipment | | |
| – depreciation charge | **2,971,214** | 3,097,223 |
| – net (gains)/losses on disposals | **(92,336)** | 3,131 |
| Land use rights, mining rights and intangible assets | | |
| – amortisation charge | **352,718** | 241,276 |
| Provision for impairment of property, plant and equipment | **215,891** | 42,691 |
| Provision for impairment of receivables | **100,079** | 37,797 |
| Allowance for inventories | **1,259** | 27,896 |
| Provision for impairment of mining and exploration rights | **493,551** | – |
| (Reversal of)/provision for close down, restoration, and environmental costs | **(37,159)** | 7,735 |
| Share of profits of associates and joint ventures | **(400,838)** | (281,013) |
| Net foreign exchange losses | **11,134** | 14,407 |
| Net gain on disposal of subsidiaries | **–** | (929,307) |
| Interest income | **(317,004)** | (326,893) |
| Interest expense | **1,884,402** | 2,422,514 |
| Dividend income | **–** | (6,906) |
| Changes in working capital: | | |
| Inventories | **69,301** | (64,185) |
| Trade and notes receivables | **(2,629,312)** | (710,753) |
| Prepayments and other receivables | **(199,270)** | 16,214 |
| Trade and notes payables | **(371,138)** | 1,823,651 |
| Accruals, advance and other payables | **(395,322)** | (2,203,676) |
| **Cash generated from operations** | **6,276,342** | 3,502,726 |

## 28. CONTINGENT LIABILITIES

The Group is a defendant in a number of lawsuits arising in the ordinary course of business. While the outcomes of such lawsuits cannot be determined at present, management believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results the Group.

## 29. COMMITMENTS

### (a) Capital commitments

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

| | **30 June 2017 Unaudited** ***RMB'000*** | 31 December 2016 Audited *RMB'000* |
|---|---|---|
| Property, plant and equipment | **3,817,081** | 3,721,960 |
| Land use rights | **1,015,955** | 1,610,165 |
| | **4,833,036** | 5,332,125 |

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

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

| | **30 June 2017 Unaudited** ***RMB'000*** | 31 December 2016 Audited *RMB'000* |
|---|---|---|
| Land and buildings: | | |
| – Within 1 year | **85,592** | 114,650 |
| – From 1 year to 5 years | **224,339** | 224,339 |
| – Over 5 years | **532,805** | 560,847 |
| | **842,736** | 899,836 |

### (c) Investment commitments

According to the agreement entered into on 16 August 2012, Mengxi-Huazhong Railway Company Limited ("Mengxi-Huazhong") was incorporated by the Company, China Railway Investment Corporation and other 14 companies. As a 10% shareholder, as at 30 June 2017 the Company has invested RMB1,413 million in Mengxi-Huazhong and is committed to further invest RMB5,284 million by instalments in the future.

According to the agreement entered into on 29 June 2011 among the Company, Yima Coal Industry Group Company Limited and Shanxi Haizi Jiaohua Company Limited ("Haizi Jiaohua"), as at 30 June 2017, the Company has paid RMB168 million to Haizi Jiaohua as part of the consideration to acquire 51% interests of exploration or mining rights and related interest in coal reserve and the Group is committed to pay the remaining consideration of RMB311 million in the future upon certain condition is fulfilled.

## 29. COMMITMENTS (CONTINUED)

### (c) Investment commitments (continued)

According to the agreement entered into on 29 June 2011 between the Company and Haizi Jiaohua, by 30 June 2017, the Company has paid RMB259 million to Haizi Jiaohua as part of the consideration to acquire 63% interests of exploration or mining rights and related interest in coal reserve and the Group is committed to pay the remaining consideration of RMB481 million in the future upon certain condition is fulfilled.

According to the agreement entered into on 15 July 2006, Zhongtian Synergetic Energy Company Limited ("Zhongtian Synergetic") was incorporated by the Company, China Petroleum & Chemical Corporation and other 3 companies. As a 38.75% shareholder, by 30 June 2017 the Company has invested RMB6,787 million in Zhongtian Synergetic and is committed to further invest RMB481 million by instalments in the future.

According to the agreement entered into on 28 May 2008, Mengji Railway Company Limited ("Mengji Railway") was incorporated by the Company, Hohhot Railway Bureau and other 7 companies. As a 5% shareholder, by 30 June 2017 the Company has invested RMB1,400 million in Mengji Railway and is committed to further invest RMB100 million by instalments in the future.

According to the agreement entered into on 23 December 2011, Huzhun'e Railway Company Limited ("Huzhun'e Railway") was incorporated by the Company, Hohhot Railway Bureau and other 7 companies. As a 10% shareholder, by 30 June 2017 the Company has invested RMB266 million in Huzhun'e Railway and is committed to further invest RMB819 million by instalments in the future.

## 30. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 30.1 Financial risk factors

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

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

There have been no changes in the risk management since year end.

### 30.2 Liquidity risk

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

## 30. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### 30.3 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 30 June 2017, the Group has the following assets measured at fair value which were defined as level 1:

| | **As at 30 June 2017 Unaudited** *RMB'000* | As at 31 December 2016 Audited *RMB'000* |
|---|---|---|
| Available-for-sale financial assets | | |
| – Equity securities (level 1) | **19,886** | 18,627 |

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

## 30. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### 30.4 Fair value of financial assets and liabilities measured at amortised cost

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair value.

| | **As at 30 June 2017 Unaudited *RMB'000*** | | As at 31 December 2016 Audited *RMB'000* | |
|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | Carrying amount | Fair value |
| **Long-term borrowings (Level 2)** | **42,155,329** | **42,016,010** | 43,496,933 | 43,743,469 |
| **Long-term bonds (Level 1)** | **25,740,582** | **26,066,575** | 25,744,417 | 26,831,000 |

The fair value of long-term borrowings was determined based on discounted cash flow and the key input is the discount rate that reflects the credit risk of the issuers. The fair value of long-term bonds was based on quoted market price.

## 31. SIGNIFICANT RELATED PARTY TRANSACTIONS

### Transactions and balances with PRC government-related entities

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influence by the PRC government ("government-related entities").

## 31. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

### Transactions and balances with PRC government-related entities (continued)

#### *(a) Transactions with the Parent Company, fellow subsidiaries, associates and joint ventures of the Group and a primary shareholder with significant influence over a subsidiary*

In addition to those disclosed elsewhere in the condensed consolidated financial statements, the following transactions were carried out with related parties:

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **Unaudited** | Unaudited |
| | ***RMB'000*** | *RMB'000* |
| **Transactions with the Parent Company and fellow subsidiaries:** | | |
| ***Coal Export and Sales Agency (i)*** | | |
| Agency fees for coal export and sales to the Parent Company | **572** | 366 |
| ***Integrated Material and Services Mutual Provision (ii)*** | | |
| Purchase of production material, machinery and equipment from the Parent Company and fellow subsidiaries | **1,203,458** | 1,452,308 |
| Charges for social and support services provided by the Parent Company and fellow subsidiaries | **26,789** | 10,669 |
| Sales of production material, machinery and equipment to the Parent Company and fellow subsidiaries | **152,933** | 256,971 |
| Revenue of coal export-related services from the Parent Company and fellow subsidiaries | **11,292** | 4,468 |
| ***Mine Construction, Design and General Contracting Service (iii)*** | | |
| Charges for mine construction and design services provided by the Parent Company and fellow subsidiaries | **593,207** | 1,018,205 |
| ***Property Leasing (iv)*** | | |
| Rental fees paid to the Parent Company and fellow subsidiaries | **40,507** | 40,908 |
| ***Land Use Rights Leasing (v)*** | | |
| Rental fees paid to the Parent Company and fellow subsidiaries | **24,934** | 28,042 |
| ***Coal Supplies (vi)*** | | |
| Coal purchased from the Parent Company and fellow subsidiaries | **1,527,614** | 1,555,857 |
| ***Financial services (vii)*** | | |
| Loans provided to the Parent Company and fellow subsidiaries | **2,400,000** | 2,730,000 |
| Loans repayment received from the Parent Company and fellow subsidiaries | **2,450,000** | 1,330,000 |
| Deposits paid to the Parent Company and fellow subsidiaries | **1,007,567** | 2,132,318 |
| Interest paid/payable to the Parent Company and fellow subsidiaries | **24,147** | 16,709 |
| Interest received/receivable from the Parent Company and fellow subsidiaries | **40,352** | 21,222 |
| ***Fee paid for use of trademark (viii)*** | **RMB1** | RMB1 |

## 31. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

### Transactions and balances with PRC government-related entities (continued)

#### *(a) Transactions with the Parent Company, fellow subsidiaries, associates and joint ventures of the Group and a primary shareholder with significant influence over a subsidiary (continued)*

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **Unaudited** | Unaudited |
| | ***RMB'000*** | *RMB'000* |
| **Transactions with joint ventures of the Group** | | |
| ***Sales and services provided*** | | |
| Sales of coal | **1,148** | 70,541 |
| Income from providing labor services | **136** | 262 |
| Sales of machinery and equipment | **11,821** | 22,021 |
| ***Purchases of goods and services*** | | |
| Purchases of coal | **50,986** | 35,557 |
| Purchases of services | **163** | – |
| ***Financial services*** | | |
| Loans repayment received | **302,000** | 350,000 |
| Interest income | **36,647** | 55,711 |
| **Transactions with associates of the Group** | | |
| ***Sales and services provided*** | | |
| Sales of machinery and equipment | **310,195** | 6,161 |
| Sales of materials and spare parts | **21,969** | 3,073 |
| Railway rental income | **59,195** | 55,760 |
| Sales of coal | **649,368** | 214,879 |
| Income from providing labor services | **60,201** | – |
| Sales of production material and ancillary services | **14,509** | – |
| ***Purchase of goods and services*** | | |
| Purchases of coal | **677,189** | 154,020 |
| Purchases of materials and spare parts | **198,956** | 54,781 |
| Transportation services purchased | **200,249** | 766,105 |
| Receiving social services, railway custody service, construction and technical services | **177,629** | – |
| ***Financial services*** | | |
| Loans provided | **–** | 1,550,000 |
| Loans repayment received | **–** | 1,550,000 |
| Interest income | **–** | 23,729 |
| **Transactions with a primary shareholder with significant influence over a subsidiary** | | |
| ***Sales and services provided (ix)*** | | |
| Sales of coal | **205,425** | 154,435 |
| ***Infrastructural Project and Procurement of Coal Mining Facilities Service (ix)*** | | |
| Charges for infrastructural project and procurement of coal mining facilities services | **–** | 1,206 |

## 31. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

### Transactions and balances with PRC government-related entities (continued)

#### *(a) Transactions with the Parent Company, fellow subsidiaries, associates and joint ventures of the Group and a primary shareholder with significant influence over a subsidiary (continued)*

**Loan guarantees to associates and joint ventures of the Group**

| | **30 June 2017** | 31 December 2016 |
|---|---|---|
| | **Unaudited** | Audited |
| | ***RMB'000*** | *RMB'000* |
| Loan guarantees to | | |
| – Associates | **16,299,135** | 15,405,158 |
| – Joint ventures | **125,000** | 150,000 |
| Total | **16,424,135** | 15,555,158 |

**Commitments to the parent company and fellow subsidiaries**

| | **30 June 2017** | 31 December 2016 |
|---|---|---|
| | **Unaudited** | Audited |
| | ***RMB'000*** | *RMB'000* |
| With the parent company and fellow subsidiaries | | |
| – Purchases of goods | **4,334** | 4,365 |
| – Purchases of services | **446,955** | 560,246 |
| – Leasing | **834,538** | 885,980 |
| Total | **1,285,827** | 1,450,591 |

*Notes:*

(i) Under relevant PRC laws and regulations, coal exports shall only be made through one of four authorised PRC enterprises including China Coal Group. The Company appointed China Coal Group as its coal export sales agent under a Coal Export and Sales Agency Framework Agreement entered into on 5 September 2006. Pursuant to the agreement, the agency fee is determined based on market price and the agency fee for the coal exports and sales to the China Taiwan market is extra plus USD0.5 per ton of coal products sold. The agency fees are payable on a monthly basis, effective from 31 December 2008. The agreement has been renewed to extend the term to 31 December 2017.

(ii) The Company and China Coal Group entered into Integrated Materials and Services Mutual Provision Framework Agreement on 5 September 2006, under which the Company provides to China Coal Group and China Coal Group provides to the Company production material supplies and ancillary services, and the Company also provides to China Coal Group export-related services. The Company and China Coal Group entered into Supplementary Agreement to Integrated Materials and Services Mutual Provision Framework Agreement on 31 December 2012. Pursuant to the agreement, the service fee is 65% of the actual service fee charged by China Coal Group in respect of each ton of coal products exported. The above two agreements have been renewed to extend the term to 31 December 2017.

## 31. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

### Transactions and balances with PRC government-related entities (continued)

#### *(a) Transactions with the Parent Company, fellow subsidiaries, associates and joint ventures of the Group and a primary shareholder with significant influence over a subsidiary (continued)*

*Notes: (continued)*

(iii) The Company and China Coal Group entered into Mine Construction and Design Framework Agreement on 5 September 2006, followed with contract renewal under the name of Mine Construction, Mine Design and General Contracting Service Framework Agreement upon its expiry date of 31 December 2008. Subsequently, the Company and China Coal Group extend this contract and change its name to Project Design, Construction and General Contracting Framework Agreement when the contract is due on 31 December 2011. The deal mainly includes:

- China Coal Group provides the Company with engineering design, construction and general contracting;
- China Coal Group undertakes projects which the Company subcontracts;
- For engineering design, construction and general contracting, services providers and pricing would be determined in the form of public bidding;
- The agreement is valid up to 31 December 2014.

The agreement has been renewed to extend the term to 31 December 2017.

(iv) The Company and China Coal Group entered into a Property Lease Framework Agreement on 5 September 2006, pursuant to which the Company leases from China Coal Group certain buildings and properties in the PRC for general business and ancillary purposes. The annual lease payment is subject to review and adjustment every three year based on market price. The Company and China Coal Group renewed the Property Leasing Framework Agreement in 2014, which is effective till December 2024, agreeing a cap of annual lease payment of RMB105,000,000 for 2015 to 2017.

(v) The Company and China Coal Group entered into a Land Use Rights Lease Framework Agreement on 5 September 2006, pursuant to which the Company leases certain land use rights in the PRC from China Coal Group for general business and ancillary purposes. The annual lease payment is subject to review and adjustment every three year based on market price. This agreement is effective for 20 years. The cap of annual lease payment for 2015 to 2017 is RMB61,000,000.

(vi) The Company and China Coal Group entered into a Coal Supplies Framework Agreement on 5 September 2006, pursuant to which China Coal Group will sell all coal products produced from its retained mines exclusively to the Company, and has undertaken not to sell any such coal products to any third party. The agreement has been renewed to extend the term to 31 December 2020.

(vii) China Coal Finance Co., Ltd and China Coal Group entered into a Financial Services Framework Agreement on 18 March 2014, under which the Company provides financial services to China Coal Group within its business scope. This agreement is valid until 31 December 2014, taking effect from 18 March 2014. The agreement has been renewed to extend the term to 31 December 2017.

(viii) The Company and China Coal Group entered into a Trademark License Framework Agreement on 5 September 2006, under which the Company is authorised to use partial registered trademarks of companies without use at the cost of RMB1. This agreement is valid for 10 years, taking effect from 22 August 2006. This agreement has been renewed on 23 August 2016 to extend the term to 22 August 2026.

(ix) The Company and Shanxi Coking Coal Group Co., Limited ("Shanxi Coking Coal Group") entered into the Coal and Coal Related Products and Services Supply Agreement on 23 October 2014, under which the Group purchases the coal and coal related products and accepts services from Shanxi Coking Coal Group and its subsidiaries and Shanxi Coking Coal Group and its subsidiaries purchases the coal and coal related products and accepts services from the Group. The agreement will be valid until 31 December 2017, taking effect from 23 October 2014.

Pursuant to the Coal and Coal Related Products and Services Supply Agreement, the prices will be based on the following pricing policy and order:

- as for the infrastructural project and procurement of coal mining facilities, the price shall be arrived by bidding process; and
- as for the supply of coal, the price shall be in accordance with the relevant market price.

## 31. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

### Transactions and balances with PRC government-related entities (continued)

#### *(b) Transactions with other government related entities in the PRC*

Apart from transactions with China Coal Group, fellow subsidiaries, associates and joint ventures of the Group and a primary shareholder with significant influence over a subsidiary, the Group has collectively, but not individually significant transactions with other government-related entities, which include but are not limited to the following:

- Sales of coal;
- Sales of machinery and equipment;
- Purchases of coal;
- Purchases of materials and spare parts;
- Purchases of transportation services;
- Bank balances and borrowings;
- Lease of assets; and
- Retirement benefit plans.

These transactions are conducted in the ordinary course of the Group's business. The Group has established its pricing policies in respect of sale of goods and provision of services, and approval process for purchases of products and services. Such policies and approval process apply to all counterparties regardless of whether the counterparty is government-related or not.

## 31. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

### Key management personnel emoluments

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **Unaudited** | Unaudited |
| | ***RMB'000*** | *RMB'000* |
| **Key management compensation** | | |
| Salary, allowances and other benefits | | |
| – Directors and supervisors | **688** | 788 |
| – Other key management | **876** | 973 |
| | **1,564** | 1,761 |
| Pension costs-defined contribution plans | | |
| – Directors and supervisors | **48** | 65 |
| – Other key management | **128** | 170 |
| | **176** | 235 |

## 32. DISPOSAL OF SUBSIDIARIES

On 31 May 2016, the Group disposed of its 100% equity interests in Xuzhou Sifang Aluminum Energy Co., Ltd. ("Sifang Aluminium"), China Coal Handan Coal Mining Equipment Co., Ltd. ("Handan Coal Equipment"), Lingshi China Coal Chemical Co., Ltd.("Lingshi Chemical") and 91% equity interests in Lingshi China Coal Jiuxin Coking Co., Ltd. ("China coal Jiuxin") to China Coal Group, details are set out bellow:

| | **Sifang Aluminium** | **Handan Coal Equipment** | **China coal Jiuxin** | **Lingshi Chemical** | **Total** |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Consideration received in cash | – | – | – | 194,842 | 194,842 |
| Less: Carrying value of former subsidiary's net assets | (286,075) | (164,275) | (454,508) | 170,393 | (734,465) |
| Gain on disposal | 286,075 | 164,275 | 454,508 | 24,449 | 929,307 |

## 33. EVENTS AFTER THE END OF THE REPORTING PERIOD

- **Issuance of the corporate bonds**

  On 20 July 2017, the Company issued the first tranche of corporate bonds amounting to RMB1.0 billion with a term of five years and an interest rate for the issue of 4.61% per annum. At the end of the third year, the Company has the option to adjust the interest rate of the remaining two years which will be stay constant when it is determined, and the holders also has the option to sell partial or all of the corporate bonds to the Company if the interest rate of the remaining two years changes.

- **Issuance of the short-term bonds**

  On 24 July 2017, the Company issued the 2017 first tranche of short-term bonds amounting to RMB3.0 billion, with a term of 365 days and an interest rate for the issue of 4.53% per annum.

- **Settlement of the short-term bonds**

  On 3 August 2017, the Company settled the 2016 first tranche of the short-term bonds amounting to RMB3.0 billion upon maturity.

- **Registration of long-term bonds**

  In August 2017, the Company successfully registered long-term bonds amounting to RMB10 billion with National Association of Financial Market Institutional Investors.

# Company Profile

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

## INFORMATION ABOUT SECRETARY TO THE BOARD OF THE COMPANY

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

## BASIC INFORMATION ABOUT THE COMPANY

| | |
|---|---|
| Registered Address and Office Address of the Company | No. 1 Huangsidajie, Chaoyang District, Beijing, the PRC |
| Post Code | 100120 |
| Internet Website | http://www.chinacoalenergy.com |
| Email Address | IRD@chinacoal.com |
| Newspapers Designated for Information Disclosure | Shanghai Securities News, Securities Times |
| Internet Website Designated by CSRC for Publication of Periodical Reports | http://www.sse.com.cn |
| Internet Website Designated by the Stock Exchange of Hong Kong Limited for Publication of Periodical Reports | http://www.hkex.com.hk |
| Location for Inspection of Periodical Reports of the Company | Securities Affairs Department, China Coal Energy Company Limited, No. 1 Huangsidajie, Chaoyang District, Beijing, China |

## BRIEF INFORMATION ABOUT SHARES OF THE COMPANY

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

| | |
|---|---|
| Authorised Representatives of the Company | Peng Yi, Zhou Dongzhou |
| Company Secretary | Zhou Dongzhou |

# Company Profile

## AUDITOR OF THE COMPANY

| | |
|---|---|
| Domestic auditor of the Company | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| Office address of the domestic auditor of the Company | 30/F, Bund Center,<br>222 Yan An Road East,<br>Huangpu District, Shanghai, the PRC |
| International auditor of the Company | Deloitte Touche Tohmatsu |
| Office address of the international auditor of the Company | 35th Floor, One Pacific Place, 88 Queensway, Hong Kong |

## LEGAL ADVISORS OF THE COMPANY

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

## SHARE REGISTRARS FOR DOMESTIC AND OVERSEAS LISTED SHARES

| | |
|---|---|
| A Share Registrar | China Securities Depository and Clearing Corporation Limited Shanghai Branch |
| Contact Address | 36/F, China Insurance Building, 166 Lujiazui East Avenue, Pudong New District,<br>Shanghai, China |
| H Share Registrar | Computershare Hong Kong Investors Services Limited |
| Contact Address | Rooms 1712 – 1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai,<br>Hong Kong |

# Definitions

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

| | |
|---|---|
| the Group/the Company/ Company/China Coal Energy | China Coal Energy Company Limited, unless otherwise indicated, also includes all of its subsidiaries |
| Board of the Company/Board | the board of directors of China Coal Energy Company Limited |
| Directors | the directors of the Company, including all the executive directors, non-executive directors and independent non-executive directors |
| China Coal Group | China National Coal Group Corporation, the controlling shareholder of the Company |
| CSRC | China Securities Regulatory Commission |
| Articles of Association | the articles of association passed at the inaugural meeting of the Company on 18 August 2006 and approved by the relevant state authorities, as amended and supplemented from time to time |
| Share(s) | the ordinary shares of the Company, including A Share(s) and H Share(s) |
| Shareholder(s) | the shareholder(s) of the Company, including holder(s) of A Shares and holder(s) of H Shares |
| A Share(s) | the ordinary share(s) issued to domestic investors in China with approval from CSRC, which are listed on the SSE and traded in RMB |
| H Share(s) | the overseas listed foreign share(s) of RMB1.00 each in the share capital of the Company, which are listed on the HKSE for subscription in Hong Kong dollars |
| SSE | the Shanghai Stock Exchange |
| SSE Website | www.sse.com.cn |
| HKSE | The Stock Exchange of Hong Kong Limited |
| Hong Kong Listing Rules | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| HKSE Website | www.hkexnews.hk |
| Company Website | www.chinacoalenergy.com |
| Pingshuo Company | China Coal Pingshuo Group Company Limited |

# Definitions

| | |
|---|---|
| Shanghai Energy Company | Shanghai Datun Energy Resources Company Limited, a subsidiary controlled by the Company |
| China Coal Huajin Company | Shanxi China Coal Huajin Energy Company Limited |
| China Coal Shaanxi Company | China Coal Shaanxi Yulin Energy & Chemical Company Limited |
| Heilongjiang Coal Chemical Group | China Coal Heilongjiang Coal Chemical Engineering (Group) Company Limited |
| Zhongtian Synergetic Company | Zhongtian Synergetic Energy Company Limited |
| Jingshen Railway Company | Shaanxi Jingshen Railway Company Limited |
| Mengda Engineering Plastics Project | Mengda New Energy Engineering Plastics Project |
| Yulin Olefin Project | the methanol acetic acid series deep processing and comprehensive utilisation project of China Coal Shaanxi Yulin Energy & Chemical Company Limited |
| Tuke Fertiliser Project | Phase I of the Tuke Fertiliser Project in Ordos of Inner Mongolia |
| Ordos Olefin Project | Methanol-based Olefin Project of the Phase II Coal Deep Processing Project of Zhongtian Synergetic Company in Ordos |
| RMB | RMB yuan |

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

| | | |
|---|---|---|
| Address | : | No. 1 Huangsidajie, Chaoyang District, Beijing, China |
| Post Code | : | 100120 |
| Telephone | : | (010) 82236028 |
| Fax | : | (010) 82256484 |
| Website | : | www.chinacoalenergy.com |