



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 2020

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

Chairman's Statement

Dear Shareholders,

In the first half of the year, facing the severe challenges brought by the COVID-19 pandemic and the complex and changing situations at home and abroad, the whole nation united in a concerted response to contain the pandemic and to push forward the development of the economy and the society. The prevention and control of the pandemic continued to make progress while the social and economic order steadily restored, which further manifested the resilience and vitality of the economy of China. China Coal Energy resolutely implemented all decisions and deployments made by the Party Central Committee and the State Council, and actively responded to the challenges while maintaining stability. The Company focused on prevention and control of the pandemic on one hand, and resumption of operation and production as well as operation and management on the other. The Company adhered to people-oriented principles and prioritized life safety, achieving zero infection among nearly 40,000 employees. With our full dedication to safeguard the energy supply, the sales volume of major products reached its new peak, and the revenue of the Company maintained a year-on-year increase and amounted to RMB61.4 billion. The Company strictly adhered to cost control, enhanced quality and effectiveness, and continued to give full play of the transformation and upgrading results. Despite the significant drop of the price in the major products including coal and coal chemicals, the Company maintained stable production and operation. The profit before tax of the Company reached RMB5.77 billion; profit attributable to the equity holders of the Company amounted to RMB2.53 billion. The net inflow of operating cash generated from production and sales activities continued to reach over RMB10 billion.

By focusing on its primary responsibilities and businesses and its commitment to scientific development, the Company continued to adjust its layout and optimize the industrial structure. Centering on coal-power integrated development, the Company endeavored to make good use of the existing resources, optimize increment, improve quality, and enhanced value-added capabilities from the synergy effect of industry value chains, so as to promote sustainable development of the Company. With the stable operation of the 2×660MW Second Power Plant Project located in the north of Wucai Bay, Zhudong, Xinjiang and the 2×350MW thermal power project of Shanghai Energy Company, the Company continued to benefit from the increasing advantage of the coal-power integration and realized profits of RMB300 million for the first half of the year. Construction of projects such as Dahaize Coal Mine with an annual output of 15 million tonnes of high-quality thermal coal and Libi Coal Mine with an annual output of 4 million tonnes of anthracite was in smooth progress; Yilan No. 3 Coal Mine with an annual output of 2.40 million tonnes of thermal coal will realize combined trial operation within this year; formalities relating to the mining rights of the expanded area of Antaibao were being handled steadily as scheduled; the 2×350MW Thermal Power Project of Pingshuo Company is about to resume its construction. With the commencement of installation work for major equipment of the Tuke Technological Transformation Project of Annual Methanol Output of 1 Million Tonnes from Synthetic Gas and the orderly pushing forward of the Yulin Phase II Coal-Based Olefin Project, coal-chemical operations of the Company continued to expand, and the development momentum was significantly enhanced. With the establishment of the West Coal Trading Company, the Company forms the new sales layout in Western China covering regions including Inner Mongolia, Shaanxi, Xinjiang, Gansu, Sichuan and Chongqing. Coverage of its nationwide marketing network was thus improved and the market influence and synergy of production and sales were significantly enhanced as well.

Chairman's Statement

By focusing on improving quality and efficiency, optimizing production and sales structure, the Company continued to enhance the level of lean management. In the first half of the year, the Company strived to overcome adverse factors by rationally organizing production and strengthening the coordination among production, delivery and sales, and thus achieved production volume of commercial coal reached 53.07 million tonnes, representing a year-on-year increase of 5%. The Company accurately assessed market situations, flexibly adjusted sales strategies, proactively expanded its market and fully safeguarded the energy supply. As a result, coal sales volume amounted to 115.63 million tonnes, hitting its historical high as compared with the corresponding periods. Coal-chemical enterprises actively responded to the adverse effects of logistics disruption, maintained a balance between production and sales of coal chemicals while completing overhaul of the facilities on schedule, and thus achieved an output of 763,000 tonnes of polyolefin and 866,000 tonnes of urea. Coal mining equipment enterprises focused on market development and seized high quality orders, achieving a stable increase in contract volume, and the production value of coal mining equipment products amounted to RMB4.63 billion, representing a year-on-year increase of 7.4%. With respect to financial operations, China Coal Finance Company aimed at supporting the responsibilities and the businesses of the Group, seized profitable market opportunities and timely adjusted of the deployment strategy on the terms of interbank deposits to improve the efficiency of capital concentration, therefore maintaining a year-on-year increase of total operating revenue and profit. With an aim to continuously strengthen its capability to create value, the Company proactively enhanced its management by the management improvement activity of “Benchmarking against the First Class” to consolidate its strengths and improved its weaknesses. The Company also achieved significant results to improve quality and effectiveness while strengthening cost control through continuous targeted actions and thus continuously improving the Company's profitability.

By deepening reform and innovation and strengthening science and technology, the Company strived to promote high-quality development. The “Double-Hundred Action” (雙百行動) was implemented properly with the board of directors set up in the “Double-Hundred” pilot enterprises and the corporate governance system continuously improved. The Company has implemented the Strategy of “Talents to Revitalize the Enterprise” by continuously improving the employee quality and creating good environment for the talent growth. The Three System Reforms were carried out to further optimize the Company's market-based operation mechanism. The intelligent construction of the Dahaize Coal Mine is progressing as planned, and Menkeqing, Wangjialing and other coal mines have achieved intelligent safety and normal mining operation in five working dimensions with key technical indicators leading the industry. By vigorously pushing forward technological research and innovation, the Company obtained more than 120 patents in the first half of the year, continuously improving its technological innovation capabilities and core competitiveness and maintaining the leading position in the industry. With an aim to strengthening scientific research, the Company established three coal-chemical research institutes, achieving new results in developing new coal-chemical products and production differentiation and social and economical benefits.

Chairman's Statement

By strengthening risk management and control, the Company fulfilled social responsibilities, and further promoted safe and green development of the Company. Since the Company paid close attention to safety management and control, implemented safety responsibilities at all levels, and maintained a stable momentum in safe production, providing a firm foundation for the orderly progression of our key areas of work. The Company continued to increase investment in ecological environmental protection, and took firm steps to enhance risk management and control for ecological environmental protection. During the first half of the year, there were no major environmental violations or unexpected environmental incidents, indicating significant results in our various efforts made for ecological environmental protection. The Company has been playing an active role in fulfilling its social responsibilities. During the outbreak of the pandemic, the production at the major mines of Pingshuo Company and Shanghai Energy Company remained uninterrupted production, which ensured coal supply in key regions and during key periods. Coal -chemical enterprises promptly switched to the manufacturing of 25,000 tonnes of polypropylene fabrics used in the production of face masks and protective clothing, ensuring adequate supplies of pandemic prevention materials. The Company has successfully issued the first corporate bonds under the “registration-based system” in China which marks the first batch acceptance, first batch registration and first batch issuance, and represents the Company’s responsibility as a listed central state-owned-enterprise (SOE) in the implementation of “registration-based system” under the new Securities Law.

On behalf of the Board of the Company, I hereby would like to express my heartfelt appreciation to all Shareholders and people from all walks of life for their concerns and supports to the Company.

At present, as the pandemic is still ravaging around the world, the impact on the global economy will continue with external risks and challenges on the rise, which will surely bring more intense pressure to the pace of domestic economic recovery. Facing such severe and complex economic situations, China is speeding up the construction of a new development pattern of “domestic cycle as the main body, domestic and international dual cycle mutual promotion”, and normalize the coordinated efforts for the prevention and control of the pandemic and the economic and social development. Currently, major strategic breakthroughs in pandemic prevention and control have been made in China. The domestic economy development shows a steady turn for the better. A series of policies that aim to motivate the enthusiasm of market players continue to work, renewing opportunities for rapid recovery of the domestic economy. With the coal industry under recovery as a whole, it is expected that the overall coal price will hover in the green zone and the Company will maintain stable operation in general in the second half of the year.

Chairman's Statement

In the second half of the year, the Company will continue to implement the new concept of development, uphold the general tone of making progress while maintaining stability, make coordinated efforts to push ahead all tasks, and comprehensively promote high-quality development in operation, development, management and risk prevention and control to a new level. Firstly, with respect to improving operation quality, the Company will promote convergence between production and marketing, reasonably release advanced production capacity, strengthen marketing promotion, and make the best efforts to increase production, income and efficiency, so as to ensure the achievement of key production and operation targets and priority tasks for the year. Secondly, with respect to improving development quality, the Company will enhance strategic guidance by meticulously formulating the “14th Five-Year” development plan of the Company, and with the supply-side structural reforms as the principal line, the Company will strongly push ahead the transformation and upgrade of the coal-electricity-chemical industries, take an active role in cultivating a new-energy and new-material manufacturing industry, and promote the synergetic development of strategic emerging industries and existing principal businesses. Thirdly, with respect to improving management quality, the Company will continuously focus on reform and innovation, take the opportunities of the three-year-action-plan for SOE reform to deepen reforms such as the “Three System Reforms” and the “Double-Hundred Enterprises” (雙百企業) and pushed forward major technology R&D projects and breakthroughs for core technologies, in order to speed up the transformation of the development momentum and strengthen the Company's core competitiveness. The Company will continue to focus on promoting quality and efficiency and strengthening management to world first class so as to achieve a stable growth in economic benefits, and push ahead the construction of a world-class high-quality energy enterprise. Fourthly, with respect to improving risk prevention and control quality, the Company will solidly progress the three-year special renovation campaign for production safety to enhance intrinsic safety and effectively manage significant production and operation risks. The Company will also stay consistently prudent in adhering to normalized pandemic prevention and control measures to ensure the continuous, sound and stable development of the Company.

2020 is destined to be an extraordinary year. China Coal Energy will remain true to its original aspiration, keep its mission firmly in mind, strengthen its responsibility and undertakings and reinforce its bottom-line thinking. The Company will spare no efforts with high morale in an uncompromising and continuous fighting manner, and strive to build a world-class energy enterprise with international competitiveness and create greater value for our investors.

Li Yanjiang
Chairman
Beijing, the PRC
28 August 2020

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 condensed interim financial information and the notes thereto. The Group's condensed interim financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

I. OVERVIEW

In the first half of 2020, the COVID-19 pandemic and the sharp decline in the market prices of coal and coal-chemical products had a great impact on the Group's coal and coal-chemical businesses, which led to a significant year-on-year decrease in the share of profits of associates and joint ventures. In face of difficulties and challenges, the Group firmly stuck to high-quality development and insisted on consolidating and deepening the results of supply-side structural reforms. Output of self-produced commercial coal was 53.07 million tonnes, representing a year-on-year increase of 2.51 million tonnes, in which, all produced coal was sold out, staying in its upward trend. The Group reasonably controlled costs, with its unit cost of sales of self-produced commercial coal recording a year-on-year decrease of RMB20.07/tonne. The Group leveraged its advantages in market deployment and marketing network, realizing sales volume of trading coal of 61.57 million tonnes, representing a year-on-year increase of 12.30 million tonnes. For coal-chemical business, the Company enhanced lean management with safe, efficient and stable operations, and the profitability maintained an advanced level in the industry. For coal mining equipment business, the Company steadily promoted the "Double-Hundred Action". The vitality of systems and mechanisms has continued to increase, and revenue and profits have both achieved a year-on-year growth. Financial operations continued to serve the members of the Group with management innovation and technology innovation with the main operating indicators hitting the highest level in history again as compared with the previous corresponding period. The 2×660MW Second Power Plant located in the north of Wucui Bay, Zhudong, Xinjiang and other key power projects were put into operation, effectively exerting industrial synergy. By the above mentioned efforts, despite of the year-on-year decrease of profits in the first half of the year, the Group maintained a steady expansion in its operating scale and realized revenue of RMB61.393 billion, representing a year-on-year increase of RMB350 million. The Group realized net cash generated from operating activities of RMB9.178 billion, in which, after a decrease in absorption of deposits of members other than China Coal Energy by the China Coal Finance Company was excluded, a net cash inflow of RMB12.358 billion was generated from production and sales activities, representing a year-on-year increase of RMB386 million, which demonstrated the Group's ability to maintain strong operations and cash-generating capacity.

Management Discussion and Analysis of Financial Conditions and Operating Results

Unit: RMB100 million

	For the six months ended 30 June 2020	For the six months ended 30 June 2019 (Restated)	Year-on-year	
			Increase/ decrease in amount	Increase/ decrease (%)
Revenue	613.93	610.43	3.50	0.6
Cost of sales	512.76	494.63	18.13	3.7
Gross profit	101.17	115.80	-14.63	-12.6
Profit from operations	78.80	92.38	-13.58	-14.7
Share of profits of associates and joint ventures	2.64	15.33	-12.69	-82.8
Profit before income tax	57.66	84.53	-26.87	-31.8
EBITDA	128.47	141.03	-12.56	-8.9
Profit attributable to the equity holders of the Company	25.29	41.27	-15.98	-38.7
Net cash generated from operating activities	91.78	102.38	-10.60	-10.3

Unit: RMB100 million

	At 30 June 2020	At 31 December 2019 (Restated)	Compared with the end of last year	
			Increase/ decrease in amount	Increase/ decrease (%)
Assets	2,824.72	2,725.51	99.21	3.6
Liabilities	1,628.54	1,552.73	75.81	4.9
Interest-bearing debts	1,016.87	942.40	74.47	7.9
Equity	1,196.18	1,172.78	23.40	2.0
Equity attributable to the equity holders of the Company	978.78	970.48	8.30	0.9
Gearing ratio (%) = [total interest-bearing debts/(total interest-bearing debts + equity)]	45.9	44.6	An increase of 1.3 percentage points	

Management Discussion and Analysis of Financial Conditions and Operating Results

II. OPERATING RESULTS

(1) Consolidated operating results

Revenue, cost of sales and gross profit before netting of inter-segmental sales generated from each operating segment of the Group for the six months ended 30 June 2020 and the year-on-year changes are set out as follows:

Unit: RMB100 million

	For the six months ended 30 June 2020 (before netting of inter-segmental sales)			Year-on-year increase/ decrease in amount		
	Revenue	Cost of sales	Gross profit	Revenue	Cost of sales	Gross profit
Coal operations	482.44	407.22	75.22	-2.37	14.47	-16.84
Coal chemical operations	80.95	69.80	11.15	-13.12	-7.78	-5.34
Coal mining equipment operations	45.61	39.30	6.31	4.41	3.24	1.17
Financial operations	5.75	1.76	3.99	0.32	0.09	0.23
Other operations	32.56	26.68	5.88	9.08	3.26	5.82
Inter-segment elimination	-33.38	-32.00	-1.38	5.18	4.85	0.33
The Group	<u>613.93</u>	<u>512.76</u>	<u>101.17</u>	<u>3.50</u>	<u>18.13</u>	<u>-14.63</u>

1. Revenue

For the six months ended 30 June 2020, the Group's revenue increased from RMB61.043 billion for the six months ended 30 June 2019 to RMB61.393 billion, representing an increase of RMB350 million or 0.6%, which was mainly due to the year-on-year increase of the sales volume of the Group's commercial coal and the revenue from the coal mining equipment operations, as well as the key power projects being put into operation, which offset the impact of the decline in market prices of major products on revenue.

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 2020 and the year-on-year changes are set out as follows:

Unit: RMB100 million

	Revenue net of inter-segmental sales		Year-on-year	
	For the six months ended 30 June 2020	For the six months ended 30 June 2019 (Restated)	Increase/decrease in amount	Increase/decrease (%)
Coal operations	463.75	460.69	3.06	0.7
Coal chemical operations	79.70	92.16	-12.46	-13.5
Coal mining equipment operations	39.57	35.06	4.51	12.9
Financial operations	3.67	3.63	0.04	1.1
Other operations	27.24	18.89	8.35	44.2
The Group	613.93	610.43	3.50	0.6

The proportion of revenue net of inter-segmental sales generated from each operating segment of the Group in the Group's total revenue for the six months ended 30 June 2020 and the year-on-year changes are set out as follows:

	Proportion of revenue net of inter-segmental sales (%)		
	For the six months ended 30 June 2020	For the six months ended 30 June 2019 (Restated)	Increase/decrease (percentage point(s))
Coal operations	75.5	75.5	0.0
Coal chemical operations	13.0	15.1	-2.1
Coal mining equipment operations	6.4	5.7	0.7
Financial operations	0.6	0.6	0.0
Other operations	4.5	3.1	1.4

Management Discussion and Analysis of Financial Conditions and Operating Results

2. *Cost of sales*

For the six months ended 30 June 2020, the Group's cost of sales increased from RMB49.463 billion for the six months ended 30 June 2019 to RMB51.276 billion, representing an increase of 3.7%, which was mainly due to the combined effects of the year-on-year increase of the sales volume of the Group's commercial coal and the cost of sales from the coal mining equipment operations, as well as the key power projects being put into operation. The changes in the major items of the Group's cost of sales are analysed as follows:

The costs of materials and goods traded increased by 8.5% from RMB29.706 billion for the six months ended 30 June 2019 to RMB32.240 billion, which was mainly attributable to the year-on-year increase in the sales volume of trading coal.

Staff costs decreased by 7.7% from RMB2.360 billion for the six months ended 30 June 2019 to RMB2.178 billion, which was mainly attributable to the Group's reasonable adjustments to the salaries of the employees based on operating results, as well as the interim 50% reduction in social insurance fees for the support of the control of the COVID-19 pandemic by government.

Depreciation and amortisation costs increased by 1.5% from RMB4.636 billion for the six months ended 30 June 2019 to RMB4.704 billion, which was mainly attributable to the year-on-year increase in the depreciation and amortisation costs for the period resulting from the increase in property, plant and equipment and mining rights.

Repairs and maintenance costs increased by 20.0% from RMB746 million for the six months ended 30 June 2019 to RMB895 million, which was mainly due to the increase in repairs costs resulting from the scheduled equipment repairs and maintenance.

Transportation costs and port expenses decreased by 10.3% from RMB6.317 billion for the six months ended 30 June 2019 to RMB5.668 billion, which was mainly attributable to the year-on-year decrease in the sales volume of trading coal that bears the railroad transportation costs and port expenses among the whole sales volume of trading coal.

Sales taxes and surcharges decreased by 6.5% from RMB1.820 billion for the six months ended 30 June 2019 to RMB1.701 billion, which was mainly attributable to the year-on-year decrease of resource tax and other taxes resulting from the decrease in the sales revenue of the Group's self-produced commercial coal.

Outsourcing mining engineering fees decreased by 13.9% from RMB1.637 billion for the six months ended 30 June 2019 to RMB1.410 billion, which was mainly attributable to the year-on-year decrease in the scheduled outsourcing mining engineering volume.

Other costs increased by 10.7% from RMB2.241 billion for the six months ended 30 June 2019 to RMB2.480 billion, which was mainly attributable to the increase in expenses such as production-related sporadic engineering and auxiliary expenses.

Management Discussion and Analysis of Financial Conditions and Operating Results

3. Gross profit and gross profit margin

For the six months ended 30 June 2020, affected by the sharp decline in the market prices of coal and coal-chemical products, the gross profit of the Group decreased from RMB11.580 billion for the six months ended 30 June 2019 to RMB10.117 billion, representing a decrease of 12.6%; and the integrated gross profit margin decreased from 19.0% for the six months ended 30 June 2019 to 16.5%, representing a decrease of 2.5 percentage points. At the same time, the Group actively expanded coal production and sales and reasonably managed the production costs of coal and coal-chemical products. Profits from coal mining equipment operations and financial operations increased, and the commencement of operation of key power projects led to a significant increase in the profits from other operations. All of the above effectively offset the impact of decline in market prices.

The gross profit and gross profit margin of each of the Group's operating segments for the six months ended 30 June 2020 and the year-on-year changes are as follows:

Unit: RMB100 million

	Gross profit			Gross profit margin (%)		
	For the six months ended 30 June 2020	For the six months ended 30 June 2019 (Restated)	Increase/ decrease (%)	For the six months ended 30 June 2020	For the six months ended 30 June 2019 (Restated)	Increase/ decrease (percentage point(s))
Coal operations	75.22	92.06	-18.3	15.6	19.0	-3.4
Self-produced commercial coal	72.73	89.13	-18.4	30.7	34.9	-4.2
Trading coal	1.94	2.43	-20.2	0.8	1.1	-0.3
Coal chemical operations	11.15	16.49	-32.4	13.8	17.5	-3.7
Coal mining equipment operations	6.31	5.14	22.8	13.8	12.5	1.3
Financial operations	3.99	3.76	6.1	69.4	69.2	0.2
Other operations	5.88	0.06	9,700.0	18.1	0.3	17.8
The Group	101.17	115.80	-12.6	16.5	19.0	-2.5

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

Management Discussion and Analysis of Financial Conditions and Operating Results

(2) Operating results of segments

1. Coal operations

- 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 enterprises for resale to customers (sales of trading coal) and engaged in coal import and export and domestic agency services.

For the six months ended 30 June 2020, the revenue from coal operations of the Group decreased by 0.5% from RMB48.481 billion for the six months ended 30 June 2019 to RMB48.244 billion. Revenue net of other inter-segmental sales increased by 0.7% from RMB46.069 billion for the six months ended 30 June 2019 to RMB46.375 billion.

For the six months ended 30 June 2020, the revenue from sales of the self-produced commercial coal of the Group decreased by 7.1% from RMB25.521 billion for the six months ended 30 June 2019 to RMB23.703 billion, which was mainly attributable to the year-on-year increase of 2.73 million tonnes in the sales volume leading to an increase of RMB1.374 billion in the sales revenue of self-produced commercial coal, and the year-on-year decrease of RMB59/tonne in the average sales price leading to a decrease of RMB3.192 billion in the revenue of self-produced commercial coal. Revenue net of inter-segmental sales decreased by 6.1% from RMB24.568 billion for the six months ended 30 June 2019 to RMB23.074 billion.

For the six months ended 30 June 2020, the revenue from sales of trading coal of the Group increased by 6.9% from RMB22.740 billion for six months ended 30 June 2019 to RMB24.306 billion, which was mainly attributable to the year-on-year increase of 12.30 million tonnes in the sales volume leading to an increase of RMB5.677 billion in the sales revenue of trading coal, and the year-on-year decrease of RMB67/tonne in the average sales price leading to a decrease of RMB4.111 billion in the revenue of trading coal. Revenue net of inter-segmental sales increased by 8.4% from RMB21.312 billion for the six months ended 30 June 2019 to RMB23.103 billion.

For the six months ended 30 June 2020, the revenue from coal agency operations of the Group decreased by RMB9 million from RMB14 million for the six months ended 30 June 2019 to RMB5 million.

Management Discussion and Analysis of Financial Conditions and Operating Results

The Group's coal sales volume and prices for the six months ended 30 June 2020 and the year-on-year changes before netting of other inter-segmental sales are set out as follows:

		For the six months ended 30 June 2020		For the six months ended 30 June 2019		Year-on-year				
		Sales volume (10,000 tonnes)	Selling price (RMB/tonne)	Sales volume (10,000 tonnes)	Selling price (RMB/tonne)	Increase/decrease in amount		Increase/decrease (%)		
						Sales volume (10,000 tonnes)	Selling price (RMB/tonne)	Sales volume (%)	Selling price (%)	
I.	Self-produced									
	commercial coal	Total	5,332	445	5,059	504	273	-59	5.4	-11.7
		(I) Thermal coal	4,756	400	4,477	438	279	-38	6.2	-8.7
		1. Domestic sale	4,747	400	4,469	438	278	-38	6.2	-8.7
		2. Export	9	508	8	598	1	-90	12.5	-15.1
		(II) Coking coal	576	814	582	1,015	-6	-201	-1.0	-19.8
		Domestic sale	576	814	582	1,015	-6	-201	-1.0	-19.8
II.	Trading coal	Total	6,157	395	4,927	462	1,230	-67	25.0	-14.5
		(I) Domestic resale	6,094	393	4,884	460	1,210	-67	24.8	-14.6
		(II) Self-operated exports*	6	1,257	14	1,258	-8	-1	-57.1	-0.1
		(III) Import trading	57	466	29	417	28	49	96.6	11.8
III.	Import and export and domestic agency ★	Total	74	6	329	4	-255	2	-77.5	50.0
		(I) Import agency	16	4	45	4	-29	0	-64.4	0.0
		(II) Export agency	58	7	86	8	-28	-1	-32.6	-12.5
		(III) Domestic agency	☆	☆	198	3	-198	-	-100.0	-

* : Briquette export.

★ : Selling price is agency service fee.

☆ : N/A for the period.

Note: Sales volume of the commercial coal includes the inter-segment self-consumption volume of the Group, which amounted to 6.30 million tonnes for the current period and 6.82 million tonnes for same period of last year.

Management Discussion and Analysis of Financial Conditions and Operating Results

- *Cost of sales*

For the six months ended 30 June 2020, cost of sales for the Group's coal operations increased from RMB39.275 billion for the six months ended 30 June 2019 to RMB40.722 billion, representing an increase of 3.7%, which was mainly attributable to the combined effects of the year-on-year increase of 12.30 million tonnes in trading coal, and the year-on-year decrease of RMB20.07/tonne in the unit cost of sales and the year-on-year increase of 2.73 million tonnes in sales volume of self-produced commercial coal. The composition of the cost of sales of the Group's coal operations and the year-on-year changes are set out as follows:

Unit: RMB100 million

Item	For the six months ended 30 June 2020		For the six months ended 30 June 2019		Year-on-year	
	30 June 2020	Percentage (%)	30 June 2019	Percentage (%)	Increase/decrease in amount	Increase/decrease (%)
Materials costs	30.09	7.4	31.44	8.0	-1.35	-4.3
Trading coal costs ☆	234.71	57.6	212.38	54.1	22.33	10.5
Staff costs	13.77	3.4	15.17	3.9	-1.40	-9.2
Depreciation and amortization	29.26	7.2	27.43	7.0	1.83	6.7
Repairs and maintenance	4.66	1.1	4.10	1.0	0.56	13.7
Transportation costs and port expenses	52.11	12.8	57.73	14.7	-5.62	-9.7
Sales taxes and surcharges	14.71	3.6	16.22	4.1	-1.51	-9.3
Outsourced mining engineering fees	14.10	3.5	16.37	4.2	-2.27	-13.9
Other costs ★	13.81	3.4	11.91	3.0	1.90	16.0
Total cost of sales for coal operations	407.22	100.0	392.75	100.0	14.47	3.7

☆ : This cost does not include transportation costs and port expenses related to trading coal. Such transportation costs and port expenses amounted to RMB641 million for the current period and RMB1.259 billion for the same period of last year, both of which are set out in the item of transportation costs and port expenses.

★ : Other costs include the environmental restoration expenses arising from coal mining, and the expenditures for the small projects incurred in direct relation to coal production.

Management Discussion and Analysis of Financial Conditions and Operating Results

The composition of the Group's unit cost of sales of self-produced commercial coal for the six months ended 30 June 2020 and the year-on-year changes are set out as follows:

Unit: RMB/tonne

Item	For the six months ended 30 June 2020		For the six months ended 30 June 2019		Year-on-year Increase/ decrease in amount Increase/ decrease (%)	
	Percentage (%)	2020	Percentage (%)	2019	in amount	(%)
Materials costs	18.3	56.43	18.9	62.14	-5.71	-9.2
Staff costs	8.4	25.84	9.1	29.98	-4.14	-13.8
Depreciation and amortization	17.8	54.89	16.5	54.21	0.68	1.3
Repairs and maintenance	2.8	8.74	2.5	8.10	0.64	7.9
Transportation costs and port expenses	27.8	85.72	27.2	89.23	-3.51	-3.9
Sales taxes and surcharges	9.0	27.59	9.8	32.07	-4.48	-14.0
Outsourced mining engineering fees	8.6	26.44	9.8	32.36	-5.92	-18.3
Other costs	7.3	22.56	6.2	20.19	2.37	11.7
Total unit cost of sales of self-produced commercial coal	100.0	308.21	100.0	328.28	-20.07	-6.1

For the six months ended 30 June 2020, the Group's unit cost of sales of self-produced commercial coal decreased by RMB20.07/tonne year-on-year to RMB308.21/tonne, representing a year-on-year decrease of 6.1%, which was mainly due to the year-on-year decrease in the unit material cost as the Group continued to optimize the production organization, actively released the advanced production capacity, vigorously reduced cost and tapped potential as well as the decline in diesel procurement prices, etc. The Group's reasonable adjustments to the salaries of employees based on operating results as well as the 50% reduction by stages in social insurance fees for the support of the control measures of the COVID-19 pandemic by government have both contributed to the year-on-year decrease in unit staff cost. The decrease in the proportion of sales volume of self-produced commercial coal that bears the railroad transportation costs and port expenses to the total sales volume of self-produced commercial coal has led to the year-on-year decrease in the unit transportation costs and port expenses. The year-on-year decrease in sales price of self-produced commercial coal and the year-on-year decrease in gross profit margin caused the year-on-year decrease in unit sales tax and surcharge. The year-on-year decrease in the Group's scheduled outsourced mining engineering volume as well as the year-on-year increase in the output of self-produced commercial coal led to the year-on-year decrease in the unit outsourced mining engineering fees. In addition, the Group's increase in expenses such as the related sporadic engineering expenditure and auxiliary expenses contributed to the year-on-year increase in the unit other costs.

Management Discussion and Analysis of Financial Conditions and Operating Results

- *Gross profit and gross profit margin*

For the six months ended 30 June 2020, affected by the decline in the market prices of self-produced commercial coal, the gross profit of the Group's coal operations decreased from RMB9.206 billion for the six months ended 30 June 2019 to RMB7.522 billion, representing a decrease of 18.3%; the gross profit margin decreased from 19.0% for the six months ended 30 June 2019 to 15.6%, representing a decrease of 3.4 percentage points. Meanwhile, the year-on-year increase in the sales volume of the Group's self-produced commercial coal and the year-on-year decrease in the unit cost of sales have together offset the decline in the market prices to some extent.

2. Coal chemical operations

- *Revenue*

For the six months ended 30 June 2020, the revenue from coal-chemical operations of the Group decreased from RMB9.407 billion for the six months ended 30 June 2019 to RMB8.095 billion, representing a decrease of 13.9%; revenue net of other inter-segmental sales decreased from RMB9.216 billion for the six months ended 30 June 2019 to RMB7.970 billion, representing a decrease of 13.5%. This was mainly due to factors including a plunge in international oil prices leading to a greater year-on-year decrease in the selling price of coal-chemical products, as well as the year-on-year decrease in the urea and methanol sales volume as scheduled inspections and repairs carried out by Ordos Energy Chemical Company and China Coal Yuanxing Company results in the decrease of the urea and methanol production volume.

Management Discussion and Analysis of Financial Conditions and Operating Results

The sales volume and selling price of the major coal chemical products of the Group for the six months ended 30 June 2020 and the year-on-year changes are set out as follows:

	For the six months ended 30 June 2020		For the six months ended 30 June 2019		Increase/decrease in amount		Year-on-year Increase/decrease (%)	
	Sales volume	Selling price	Sales volume	Selling price	Sales volume	Selling price	Sales volume	Selling price
	(10,000 tonnes)	(RMB/tonne)	(10,000 tonnes)	(RMB/tonne)	(10,000 tonnes)	(RMB/tonne)	(%)	(%)
(I) Polyolefin	75.5	5,980	72.8	7,443	2.7	-1,463	3.7	-19.7
Polyethylene	37.8	5,707	38.0	7,316	-0.2	-1,609	-0.5	-22.0
Polypropylene	37.7	6,253	34.8	7,582	2.9	-1,329	8.3	-17.5
(II) Urea	114.5	1,616	128.6	1,826	-14.1	-210	-11.0	-11.5
(III) Methanol	26.7	1,342	37.8	1,581	-11.1	-239	-29.4	-15.1
Inter-segment self-consumption volume ◆	26.6	1,342	31.5	1,561	-4.9	-219	-15.6	-14.0
External sales	0.1	1,469	6.3	1,686	-6.2	-217	-98.4	-12.9

◆: The amount of inter-segment self-consumption volume represents the supply of methanol by China Coal Yuanxing Company and China Coal Shaanxi Company to Mengda Chemical Company and Ordos Energy Chemical Company.

Management Discussion and Analysis of Financial Conditions and Operating Results

- *Cost of sales*

For the six months ended 30 June 2020, cost of sales for the coal-chemical operations of the Group decreased by 10.0% from RMB7.758 billion for the six months ended 30 June 2019 to RMB6.980 billion, which was mainly attributable to the combined effects of strengthened lean management on cost by each coal-chemical enterprise, the year-on-year decrease in procurement price of materials such as feed coal and methanol and the year-on-year decrease in the sales volume of urea and methanol due to the arranged inspections and repairs carried out by Ordos Energy Chemical Company and China Coal Yuanxing Company. The composition of the cost of sales of the Group's coal-chemical operations and the year-on-year changes are set out as follows:

Unit: RMB100 million

Item	For the six months ended 30 June 2020		For the six months ended 30 June 2019		Year-on-year	
	2020	Percentage (%)	2019	Percentage (%)	Increase/decrease in amount	Increase/decrease (%)
Materials costs	41.44	59.4	45.86	59.1	-4.42	-9.6
Staff costs	2.91	4.2	3.66	4.7	-0.75	-20.5
Depreciation and amortization	12.76	18.3	14.87	19.2	-2.11	-14.2
Repairs and maintenance	3.02	4.3	2.41	3.1	0.61	25.3
Transportation costs and port expenses	4.48	6.4	5.00	6.5	-0.52	-10.4
Sales taxes and surcharges	1.69	2.4	1.42	1.8	0.27	19.0
Other costs	3.50	5.0	4.36	5.6	-0.86	-19.7
Total cost of sales for coal chemical operations	69.80	100.0	77.58	100.0	-7.78	-10.0

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The cost of sales of the major coal chemical products of the Group for the six months ended 30 June 2020 and the changes as compared to the same period of 2019 are set out as follows:

Item	Cost of sales (RMB100 million)			Unit cost of sales (RMB/tonne)		
	For the	For the	Increase/ decrease in amount	For the	For the	Increase/ decrease in amount
	six months	six months		six months	six months	
	ended	ended	ended	ended	ended	
30 June	30 June	30 June	30 June	30 June		
	2020	2019		2020	2019	
Polyolefin	38.42	44.16	-5.74	5,086	6,068	-982
Polyethylene	19.55	23.32	-3.77	5,173	6,141	-968
Polypropylene	18.87	20.84	-1.97	4,999	5,987	-988
Urea	14.94	16.64	-1.70	1,304	1,294	10
Methanol ★	3.63	5.53	-1.90	1,359	1,463	-104

★: The cost of sales of methanol includes the corresponding sales cost of inter-segmental consumption.

For the six month ended 30 June 2020, the cost of sales of the Group's polyolefin was RMB3.842 billion, representing a year-on-year decrease of RMB574 million; the unit cost of sales was RMB5,086/tonne, representing a year-on-year decrease of RMB982/tonne. The cost of sales of urea was RMB1.494 billion, representing a year-on-year decrease of RMB170 million; the unit cost of sales of urea was RMB1,304/tonne, representing a year-on-year increase of RMB10/tonne. The cost of sales of methanol was RMB363 million, representing a year-on-year decrease of RMB190 million; the unit cost of sales of methanol was RMB1,359/tonne, representing a year-on-year decrease of RMB104/tonne.

- *Gross profit and gross profit margin*

For the six months ended 30 June 2020, affected by the decline in the market prices of coal-chemical products, the gross profit of the Group's coal-chemical operations decreased from RMB1.649 billion for the six months ended 30 June 2019 to RMB1.115 billion, representing a decrease of 32.4%; the gross profit margin decreased from 17.5% for the six months ended 30 June 2019 to 13.8%, representing a decrease of 3.7 percentage points. Meanwhile, each coal-chemical enterprise has been running stably and safely with high efficiency and strengthened lean management on cost, which offset the decline in market prices to some extent.

Management Discussion and Analysis of Financial Conditions and Operating Results

3. Coal mining equipment operations

• Revenue

For the six months ended 30 June 2020, the Group's revenue from the coal mining equipment operations increased from RMB4.120 billion for the six months ended 30 June 2019 to RMB4.561 billion, representing an increase of 10.7%, of which the revenue net of other inter-segmental sales increased from RMB3.506 billion for the six months ended 30 June 2019 to RMB3.957 billion, representing an increase of 12.9%, which was mainly due to the further optimization of the structure of coal equipment and the expansion of the sales of components.

• Cost of sales

For the six months ended 30 June 2020, the Group's cost of sales for the coal mining equipment operations increased from RMB3.606 billion for the six months ended 30 June 2019 to RMB3.930 billion, representing an increase of 9.0%. The major cost items and the year-on-year changes are set out as follows:

Unit: RMB100 million

Item	For the six months ended		For the six months ended		Year-on-year	
	30 June	Percentage	30 June	Percentage	Increase/ decrease	Increase/ decrease
	2020	(%)	2019	(%)	in amount	(%)
Materials costs	29.86	76.0	26.03	72.2	3.83	14.7
Staff costs	2.94	7.5	2.63	7.3	0.31	11.8
Depreciation and amortization	1.90	4.8	1.76	4.9	0.14	8.0
Repairs and maintenance	0.30	0.8	0.33	0.9	-0.03	-9.1
Transportation costs	0.63	1.6	0.70	1.9	-0.07	-10.0
Sales taxes and surcharges	0.19	0.5	0.22	0.6	-0.03	-13.6
Other costs	3.48	8.8	4.39	12.2	-0.91	-20.7
Total cost of sales for coal mining equipment operations	39.30	100.0	36.06	100.0	3.24	9.0

Management Discussion and Analysis of Financial Conditions and Operating Results

- *Gross profit and gross profit margin*

For the six months ended 30 June 2020, the gross profit of the Group's coal mining equipment operations increased from RMB514 million for the six months ended 30 June 2019 to RMB631 million, representing an increase of 22.8%; the gross profit margin increased from 12.5% for the six months ended 30 June 2019 to 13.8%, representing an increase of 1.3 percentage points, which was mainly due to the year-on-year increase in the sales volume of the high-end products and components with higher gross profit margin.

4. Financial Operations

The Group's financial operations are mainly conducted by China Coal Finance Company, which deepened the concept of lean management and strengthened financial technology innovation. China Coal Finance Company relies on multi-level, wide-coverage, and personalized financial services to accurately target the financial needs of its members to ensure safe, stable and efficient flow of funds. Against the backdrop of a sharp drop in the interest rates of the inter-bank deposit market, China Coal Finance Company adjusted the deposit allocation strategy in a timely manner to achieve value-added effects, with all major operating indicators again hitting the historical high as compared with the same period of the previous years. For the six months ended 30 June 2020, revenue from financial operations of the Group increased from RMB543 million for the six months ended 30 June 2019 to RMB575 million, representing an increase of 5.9%; revenue net of other inter-segmental sales increased from RMB363 million for the six months ended 30 June 2019 to RMB367 million, representing an increase of 1.1%. Cost of sales increased from RMB167 million for the six months ended 30 June 2019 to RMB176 million, representing an increase of 5.4%. Gross profit increased by 6.1% from RMB376 million for the six months ended 30 June 2019 to RMB399 million, and gross profit margin increased by 0.2 percentage points from 69.2% for the six months ended 30 June 2019 to 69.4%.

5. Other Operations

Other operations of the Group mainly include coal-fired power generation, aluminum processing, import of equipment and accessories, bidding services and railway transportation. Benefiting from the completion of construction and commencement of operation of the key power projects including the 2×660MW Second Power Plant Project located in the north of Wucui Bay, Zhudong, Xinjiang and the 2×350MW thermal power project of Shanghai Energy Company in 2019, for the six months ended 30 June 2020, the revenue from other operations of the Group increased from RMB2.348 billion for the six months ended 30 June 2019 to RMB3.256 billion, representing an increase of 38.7%; revenue net of other inter-segmental sales increased from RMB1.889 billion for the six months ended 30 June 2019 to RMB2.724 billion, representing an increase of 44.2%. Cost of sales increased from RMB2.342 billion for the six months ended 30 June 2019 to RMB2.668 billion, representing an increase of 13.9%. Gross profit increased by RMB582 million from RMB6.00 million for the six months ended 30 June 2019 to RMB588 million, and gross profit margin increased from 0.3% for the six months ended 30 June 2019 to 18.1%, representing an increase of 17.8 percentage points.

Management Discussion and Analysis of Financial Conditions and Operating Results

(3) Selling, general and administrative expenses

For the six months ended 30 June 2020, the Group's selling, general and administrative expenses decreased from RMB2.395 billion for the six months ended 30 June 2019 to RMB2.291 billion, representing a decrease of 4.3%.

(4) Other gains and losses, net

For the six months ended 30 June 2020, the net other gains and losses of the Group increased from RMB56 million for the six months ended 30 June 2019 to RMB67 million, representing an increase of RMB11 million.

(5) Profit from operations

For the six months ended 30 June 2020, the Group's profit from operations decreased from RMB9.238 billion for the six months ended 30 June 2019 to RMB7.880 billion, representing a decrease of 14.7%, which was mainly due to the decline in the market prices of coal and coal-chemical products leading to the year-on-year decrease in profit from coal and coal-chemical operations. Profit from operations for each operating segment of the Group and the year-on-year changes are as follows:

Unit: RMB100 million

Item	For the six months ended 30 June 2020	For the six months ended 30 June 2019 (Restated)	Year-on-year	
			Increase/ decrease in amount	Increase/ decrease (%)
The Group	78.80	92.38	-13.58	-14.7
Of which: Coal operations	61.48	77.62	-16.14	-20.8
Coal chemical operations	8.95	13.34	-4.39	-32.9
Coal mining equipment operations	2.44	1.65	0.79	47.9
Financial operations	4.05	3.56	0.49	13.8
Other operations	4.35	-1.44	5.79	–

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

Management Discussion and Analysis of Financial Conditions and Operating Results

(6) Finance income and finance costs

For the six months ended 30 June 2020, the Group's net finance expenses increased by 2.6% from RMB2.318 billion for the six months ended 30 June 2019 to RMB2.378 billion, which was mainly attributable to the combined effects from the interests incurred from certain in-construction projects being recorded as finance costs instead of capitalized costs as such projects were put into production as well as the provision for close down, restoration and environmental costs as a result of the increase in the expected disposal fees for mine geological environment governance and restoration and land reclamation costs by the Group's coal producers in accordance with relevant national policies in 2019, and the increase in finance costs recognised by using the effective interest method for the long-term liabilities with respect to transfer of mining rights payable by installments.

(7) Share of profits of associates and joint ventures

For the six months ended 30 June 2020, the Group's share of profits of associates and joint ventures decreased by 82.8% from RMB1.533 billion for the six months ended 30 June 2019 to RMB264 million, which was mainly attributable to factors such as the decline in the market prices of coal and coal-chemical products and the decrease in the output of Zhongtian Synergetic Company and Yanchang Energy Chemical Company* (延長能化公司) which the Group is interested in as a result of the arranged maintenance and repairs, etc. leading to the decrease in the profits of associates and joint ventures and the corresponding year-on-year decrease in the Group's share of profits of associates and joint ventures recognised in accordance with its shareholding.

(8) Profit before income tax

For the six months ended 30 June 2020, the profit before income tax of the Group decreased from RMB8.453 billion for the six months ended 30 June 2019 to RMB5.766 billion, representing a decrease of 31.8%.

(9) Income tax expense

For the six months ended 30 June 2020, the Group's income tax expenses decreased from RMB1.974 billion for the six months ended 30 June 2019 to RMB1.592 billion, representing a decrease of 19.4%.

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

For the six months ended 30 June 2020, the profit attributable to equity holders of the Company decreased from RMB4.127 billion for the six months ended 30 June 2019 to RMB2.529 billion, representing a decrease of 38.7%.

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III. CASH FLOW

As at 30 June 2020, the balance of the Group's cash and cash equivalents amounted to RMB24.677 billion, representing a net increase of RMB12.539 billion as compared to RMB12.138 billion as at 31 December 2019.

Net cash generated from operating activities decreased by RMB1.060 billion from RMB10.238 billion for the six months ended 30 June 2019 to RMB9.178 billion, which was mainly due to the decrease in absorption of deposits of members other than China Coal Energy by the China Coal Finance Company as compared with the beginning of the year, leading to the year-on-year increase of RMB1.446 billion of the cash outflow generated. The Group continued to strengthen lean management of funds to reduce the occupation of working capital. A net cash inflow of RMB12.358 billion was generated from production and sales activities, representing a year-on-year increase of RMB386 million, which demonstrated the Group's strong ability to generate cash from operations.

Net cash used in investing activities decreased by RMB5.297 billion from RMB6.337 billion for the six months ended 30 June 2019 to RMB1,040 million, which was mainly attributable to the combined effects of the year-on-year increase of RMB5.606 billion in the cash inflow arising from the change in term deposits with an initial deposit period of more than three months, and the year-on-year increase of RMB228 million in cash used as capital expenditures.

Net cash generated from financing activities increased by RMB5.310 billion from RMB-914 million for the six months ended 30 June 2019 to RMB4.396 billion, which was mainly attributable to the year-on-year increase in the net debt facility as a result of the issuance of corporate bonds and the implementation of project loans by the Group according to the annual financing plan.

IV. SOURCES OF CAPITAL

For the six months ended 30 June 2020, 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 chemicals, coal mining equipment and power generation operations, repayment of debts payable by the Group, and as the Group's working capital and general recurring expenditures.

During the reporting period, the Group has repaid the due loans as well as the principal and interests of the bonds by the agreed time. No overdue or default has occurred.

The cash generated from the Group's operation, net proceeds from share offering in the international and domestic capital markets, relevant banks' credit 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.

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V. ASSETS AND LIABILITIES

(1) Property, plant and equipment

As at 30 June 2020, the net value of property, plant and equipment of the Group amounted to RMB131.184 billion, representing a net increase of RMB1.186 billion or 0.9% as compared to RMB129.998 billion as at 31 December 2019, among which, the net value of buildings was RMB40.871 billion, accounting for 31.2%; that of mining structures was RMB24.203 billion, accounting for 18.4%; that of plant, machinery and equipment was RMB45.676 billion, accounting for 34.8%; that of construction in progress was RMB16.360 billion, accounting for 12.5%; and that of railways, transportation vehicles and others was RMB4.074 billion, accounting for 3.1%.

(2) Mining rights

As at 30 June 2020, the net value of the Group's mining rights amounted to RMB42.186 billion, representing a net increase of RMB3.306 billion or 8.5% as compared to RMB38.880 billion as at 31 December 2019, which was mainly due to the combined effects of the recognised proceeds from transfer of mining rights payable by installments by the Group's coal production enterprises in accordance with relevant national policy, the completion of the acquisition as to 100% equity interest in Panjiayao Company by Pingshuo Company, a subsidiary of the Group, after years of efforts, which included Panjiayao Company including its mining rights in the scope of consolidation, and the amortization of the mining rights for the current period.

(3) Other non-current assets

As at 30 June 2020, the net value of other non-current assets of the Group was RMB7.447 billion, representing a net decrease of RMB3.286 billion or 30.6% as compared with RMB10.733 billion as at 31 December 2019, which was mainly due to the consolidation of Panjiayao Company in the Company as mentioned above that resulted in the decrease in the prepayments for investments prior to the consolidation.

(4) Contract assets

As at 30 June 2020, the net value of the Group's contract assets amounted to RMB1.243 billion, representing a net increase of RMB289 million or 30.3% as compared to RMB954 million as at 31 December 2019, which was mainly due to the increase in the Group's right to consideration arising from its sales of coal equipment products. Such rights will be exercised upon completion of the ancillary services agreed in the contract.

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(5) Contract liabilities

As at 30 June 2020, the balance of the Group's contract liabilities amounted to RMB1.661 billion, representing a net decrease of RMB928 million or 35.8% as compared with RMB2.589 billion on 31 December 2019, which was mainly due to the decrease in the Group's sales proceeds received in advance.

(6) Borrowings

As at 30 June 2020, the balance of borrowings of the Group amounted to RMB63.765 billion, representing a net increase of RMB2.451 billion or 4.0% as compared with RMB61.314 billion as at 31 December 2019, which was mainly due to the increase in long-term borrowings resulting from the new project loans implemented according to the annual financing plan by the Group. Among which, the balance of long-term borrowings (including the long-term borrowings due within one year) was RMB61.584 billion, representing a net increase of RMB4.536 billion as compared to RMB57.048 billion as at 31 December 2019, and the balance of short-term borrowings amounted to RMB2.181 billion, representing a net decrease of RMB2.085 billion as compared to RMB4.266 billion as at 31 December 2019.

(7) Long-term bonds

As at 30 June 2020, the balance of the long-term bonds of the Group (including the portion due within one year) amounted to RMB37.922 billion, representing a net increase of RMB4.996 billion or 15.2% as compared to RMB32.926 billion as at 31 December 2019. The increase in the long-term bonds was mainly due to the Group's issuance of corporate bonds of RMB3.0 billion in the first half of the year which marked the first batch acceptance, the first batch registration and the first batch successful issuance of bonds under the new "registration-based system" as well as the issuance of medium-term notes of RMB2.0 billion.

(8) Other long-term liabilities

As at 30 June 2020, the balance of other long-term liabilities of the Group amounted to RMB5.363 billion, representing a net increase of RMB1.361 billion or 34.0% as compared to RMB4.002 billion as at 31 December 2019, which was mainly due to the recognition of the outstanding payment for acquisition consideration agreed pursuant to relevant agreements resulted from the the consolidation of Panjiayao Company in the Group's financial statements as mentioned above, which led to the increase in the Group's other long-term liabilities.

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VI. EQUITY

As at 30 June 2020, the equity holders' equity of the Group was RMB119.618 billion, representing an increase of RMB2.340 billion or 2.0% from RMB117.278 billion as at 31 December 2019. In which, the equity attributable to the equity holders of the Company was RMB97.878 billion, representing an increase of RMB830 million or 0.9% from RMB97.048 billion as at 31 December 2019. The items under the equity subject to significant changes are analysed below:

(1) Reserves

As at 30 June 2020, the reserve of the Group was RMB47.381 billion, representing an increase of RMB273 million or 0.6% from RMB47.108 billion as at 31 December 2019, which was mainly due to the provision made by the Group for the special fund and utilized the special fund as planned during the period, and the balance thereof resulted in the increase of RMB230 million in reserves and the increase of RMB70 million in appropriation to the reserve for general risk.

(2) Retained earnings

As at 30 June 2020, the retained earnings of the Group was RMB37.238 billion, representing an increase of RMB557 million or 1.5% from RMB36.681 billion as at 31 December 2019, which was mainly because of the Group's profit attributable to the equity holders of the Company for the period of RMB2.529 billion, the decrease of RMB1.684 billion for distribution of dividends for 2019, the decrease of RMB230 million for adjusted unutilized special fund provided by the Group for the period, and the decrease of RMB70 million for appropriation to the reserve for general risk.

VII. SIGNIFICANT CHARGE OF ASSETS

The Group did not have significant charge of assets during the reporting period. As at 30 June 2020, the book value of the Group's charge of assets amounted to RMB1.614 billion, of which the book value of pledged assets was RMB331 million and the book value of mortgaged assets was RMB1.283 billion.

VIII. SIGNIFICANT INVESTMENT

Save as disclosed in this report, the Group had no significant investment during the reporting period.

IX. MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this report, the Group did not have material acquisitions and disposals in relation to subsidiaries, associates and joint ventures during the reporting period.

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X. ISSUANCE OF CORPORATE BONDS

The goal of registration and issuance of corporate bonds by the Group is to replenish the working capital of the Group and adjust the debt structure. As at 30 June 2020, details of corporate bonds issued by the Group are set as follows.

Disclosures	Corporate bonds							
	17 China Coal 01	18 China Coal 01	18 China Coal 02	18 China Coal 03	18 China Coal 05	18 China Coal 06	18 China Coal 07	20 China Coal 01
1. Reason for issue	To meet the needs of production and operation, and further optimize the debt structure.	To meet the needs of production and operation, and further optimize the debt structure.	To meet the needs of production and operation, and further optimize the debt structure.	To meet the needs of production and operation, and further optimize the debt structure.	To meet the needs of production and operation, and further optimize the debt structure.	To meet the needs of production and operation, and further optimize the debt structure.	To meet the needs of production and operation, and further optimize the debt structure.	To meet the needs of production and operation, and further optimize the debt structure.
2. Type of issue	Public issue	Public issue	Public issue	Public issue	Public issue	Public issue	Public issue	Public issue
3. Book value	RMB100	RMB100	RMB100	RMB100	RMB100	RMB100	RMB100	RMB100
4. Issue scale	RMB1.0 billion	RMB1.1 billion	RMB0.4 billion	RMB1.7 billion	RMB2.2 billion	RMB0.8 billion	RMB0.8 billion	RMB3.0 billion
5. Coupon rate	4.61%	4.85%	5.0%	4.90%	4.69%	4.89%	4.40%	3.60%
6. Total proceeds raised after deducting the issuance expenses	RMB997 million	RMB1.097 billion	RMB399 million	RMB1.695 billion	RMB2.193 billion	RMB798 million	RMB798 million	RMB2.997 billion
7. Issue object	Qualified investor	Qualified investor	Qualified investor	Qualified investor	Qualified investor	Qualified investor	Qualified investor	Professional investor
8. Details of the use of proceeds including:								
(1) A detailed breakdown and description of the proceeds for each issue and the purposes for which they are used during the financial year	All the proceeds net of issuance expenses were used to repay the Company's due short-term financing bonds.	All the proceeds net of issuance fees were used to replenish the working capital of the Company headquarters and subsidiaries and repay due bank loans.	All the proceeds net of issuance fees were used to replenish the working capital of the Company headquarters and subsidiaries and repay due bank loans.	All the proceeds net of issuance fees were used to repay the Company and its subsidiaries' due bank loans.	All the proceeds net of issuance fees were used to repay the due short-term financing bonds.	All the proceeds net of issuance fees were used to repay the due short-term financing bonds.	All the proceeds net of issuance fees were used to repay the issuer's due bank loans.	All the proceeds net of issuance fees were used to repay the interest-bearing debts and supplement the liquid funds.
(2) If the proceeds have not been used, provide the different intended use details and descriptions of the relevant proceeds	-	-	-	-	-	-	-	-
(3) Whether the use or intended use of the proceeds is in accordance with the plan previously disclosed by the issuer	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Management Discussion and Analysis of Financial Conditions and Operating Results

XI. ISSUANCE OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS

Name of bonds	Issue scale (RMB100 million)	Interest rate (%)	Term	Effective date	Due date	Repayment Status
13 China Coal MTN001	50.00	5.26	7 years	25 July 2013	25 July 2020	Interest paid and principal paid on due date
13 China Coal MTN002	50.00	5.60	7 years	18 September 2013	18 September 2020	Interest paid while principal not due yet
15 China Coal MTN001	100.00	4.95	7 years	18 June 2015	18 June 2022	Interest paid while principal not due yet
19 China Coal Energy MTN001	50.00	4.19	5+2 years	19 July 2019	19 July 2026	Interest paid while principal not due yet
20 China Coal Energy MTN001A	15.00	3.28	5 years	13 April 2020	13 April 2025	Interest not due yet
20 China Coal Energy MTN001B	5.00	3.60	7 years	13 April 2020	13 April 2027	Interest not due yet
Total	<u>270.00</u>	-	-	-	-	-

As of 30 June 2020, the Group has paid the principal and interest of its other bonds and debt financing instruments by the agreed time. No default or delayed payment of principal and interest has occurred.

XII. RISKS OF EXCHANGE RATE

The export sales of the Group are primarily settled in US Dollars. Meanwhile, the Group uses foreign currencies, mainly US Dollars, to pay for imported equipment and accessories. As such, the fluctuations in foreign exchange rates against RMB impose bilateral effects on the operating results of the Group. The Group will actively analyze the trend of the international exchange rate markets and comprehensively use a variety of financial instruments to effectively control and prevent the occurrence of exchange rate risks.

XIII. 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.

XIV. INDUSTRY RISKS

As 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 special taxes and fees, 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

XV. CONTINGENT LIABILITIES

(1) Bank guarantees

As at 30 June 2020, the Group provided guarantees of RMB15.499 billion in total, of which guarantees of RMB11.851 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		Guaranteed amount	Date of execution of guarantee (the date of signing agreement)		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
	Guarantee	Guarantee		Commencement date of guarantee									
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	250.00	28 March 2008	28 March 2008	20 December 2022	Joint and several liability	No	No	-	No	No	Others
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	8,275.50	28 March 2008	28 March 2008	20 December 2023	Joint and several liability	No	No	-	No	No	Others
China Coal Energy Company Limited	Company headquarters	Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited	91,664.56	28 April 2013	28 April 2013	28 April 2025	Joint and several liability	No	No	-	Yes	No	Others
China Coal Energy Company Limited	Company headquarters	Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited	119,997.90	19 December 2018	19 December 2018	18 December 2035	Joint and several liability	No	No	-	Yes	No	Others
China Coal Energy Company Limited	Company headquarters	Zhongtian Synergetic Energy Company Limited	912,591.56	25 May 2016	25 May 2016	As per agreement	Joint and several liability	No	No	-	No	Yes	Associates
Shanghai Datun Energy Resources Company Limited	Controlling subsidiary	Fengpei Railway Company Limited	1,347.78	21 November 2013	21 November 2013	20 April 2024	Joint and several liability	No	Yes	434.28	Yes	No	Others
China Coal Shaanxi Yulin Energy & Chemical Company Limited	Wholly-owned subsidiary	Yan'an Hecaogou Coal Company Limited	5,000.00	25 November 2015	30 November 2015	1 September 2025	Joint and several liability	No	No	-	Yes	No	Others
China Coal Shaanxi Yulin Energy & Chemical Company Limited	Wholly-owned subsidiary	Yan'an Hecaogou Coal Company Limited	16,750.00	2 February 2018	26 February 2018	2 February 2025	Joint and several liability	No	No	-	Yes	No	Others
China Coal Shaanxi Yulin Energy & Chemical Company Limited	Wholly-owned subsidiary	Shanxi Jingshen Railway Company Limited	29,200.00	26 July 2018	26 July 2018	25 July 2045	Joint and several liability	No	No	-	Yes	No	Others

Management Discussion and Analysis of Financial Conditions and Operating Results

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

Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Date of execution 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
				(the date of signing agreement)	Commencement date of guarantee	Expiry date of guarantee							
Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)												-125,682.08	
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)												1,185,077.30	
guarantee provided by the Company and subsidiaries to its subsidiaries													
Total guarantee to subsidiaries incurred during the reporting period												-52,226.00	
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)												364,836.50	
total guarantee of the Company (including those to subsidiaries)													
Total guarantee (A+B)												1,549,913.80	
Percentage of total guarantee to net assets of the Company (%)												15.8	
Of which:													
Amount of guarantee provided to shareholders, de facto controllers and related parties (C)												-	
Amount of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio of over 70% (D)												8,525.50	
Excess amount of total guarantee over 50% of net assets (E)												-	
Total amount of the above three categories (C+D+E)												8,525.50	
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 2020, 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

1. Coal production

In the first half of the year, affected by the COVID-19 pandemic, the domestic and international environment was amidst complex changes. Since the second quarter, with China's efforts on continuously improving pandemic prevention and control, the domestic economy has shown a steady trend of recovery and growth. The Company coordinated the prevention and control of the COVID-19 pandemic and the resumption of work and production. As a result, the production and operation have fully resumed in an orderly manner. Coal output maintained a steady growth through optimizing production organization, active releasing the high-quality production capacity and strengthening the connection between production, transportation, and sales by coal enterprises. Pingshuo Company maintained high production efficiency and achieved the highest coal production over the same period for the past 5 years through continuous optimization of its production system and full release of the open-pit mine production capacity. Shanghai Energy Company achieved a substantial increase in the coal output through the measures of planning the production continuity ahead of time, constantly strengthening the management of the mining site, and accurately keeping pace with production. China Coal Huajin Company remained stable production order through optimizing production layout, strengthening on-site labor organization, and giving full play to effective production capacity. Northwest Energy Company strived to resolve production limit and maintained a balanced and stable coal production by enhancing equipment management and steadily improving mining efficiency. During the reporting period, the production volume of commercial coal of the Company reached 53.07 million tonnes, of which the production volume of thermal coal amounted to 47.34 million tonnes, and the production volume of coking coal amounted to 5.73 million tonnes.

By adhering to the idea of safe development, the Company effectively enhanced safety management and control, made continuous progress on system optimization, equipment upgrading, quality promotion, and management improvement, and fully elevated the safety production standardization level, further prevented and mitigated major security risks. As a result, the Company maintained the stability of safe production and achieved all safety objectives.

By adhering to the development direction of “safety, efficiency, green development, and intelligent production”, the Company vigorously strengthened technological research and development, built a robust technological innovation system, strived to break through key core technologies, and promoted high-quality development of the enterprise. Driving the improvement of the quality and efficiency of coal production with technology innovation, the Company has achieved the close integration of technology and production through the intellectualization of mining technology and innovation research and development of equipment. During the reporting period, the raw coal efficiency was 37.4 tonnes per worker-shift, representing an advanced level in the coal industry.

Business Performance

2. Sales of coal

In the first half of the year, the Company continued to deepen the restructuring of the coal marketing system, improved the coal marketing network, optimized the market layout, and continued to improve the market development capability. With an active response to the impact of the COVID-19 pandemic and the pressure of drastic market fluctuations, the Company adopted accurate estimates of market situation and flexible adjustments of marketing policies, ensured all sales of self-produced coal, stabilized and increased sales of purchased coal, maximized the overall benefits of coal, and hit a new high in sales scales compared with the same period of previous years. During the reporting period, the Company achieved a total sales volume of commercial coal of 115.63 million tonnes, representing a year-on-year increase of 12.1%.

The Company accurately grasped the market rhythm, captured the favorable opportunity of the market recovery in the second quarter, vigorously implemented precise sales strategies, fully leveraged its advantage in the coal marketing network, proactively pursued high-quality development of purchased coal on multiple platforms, and enhanced the internal control and risk management, achieving the highest sales volume of purchased coal in history over the same period. During the reporting period, the sales volume of the trading coal was 61.57 million tonnes, representing a year-on-year increase of 25%.

Sales volume of commercial coal		January to	January to	
(10 thousand tonnes)		June in 2020	June in 2019	Change (%)
(I)	Domestic sales of self-produced coal	5,323	5,051	5.4
	By region:			
	North China	1,669	1,441	15.8
	East China	2,147	2,033	5.6
	South China	508	509	-0.2
	Others	999	1,068	-6.5
	By coal type:			
	Thermal coal	4,747	4,469	6.2
	Coking coal	576	582	-1.0
(II)	Self-produced coal export	9	8	12.5
	By region:			
	Taiwan, China	9	8	12.5
	By coal type:			
	Thermal coal	9	8	12.5
(III)	Trading	6,157	4,927	25.0
	Of which:			
	Domestic resale	6,094	4,884	24.8
	Self-operated exports	6	14	-57.1
	Import trading	57	29	96.6
(IV)	Agency sales	74	329	-77.5
	Of which:			
	Import agency	16	45	-64.4
	Export agency	58	86	-32.6
	Domestic agency	0	198	-100.0
Total		11,563	10,315	12.1

Business Performance

II. COAL-CHEMICAL OPERATIONS

In the first half of the year, the Company made great efforts to overcome difficulties such as insufficient supply of raw materials for chemical production and tight transportation capacity, strengthened production organization, and maintained continuous and stable production. The Company proactively carried out the construction of safety production standardization, strived to enhance refined management, increased the effective operation of the equipment, continued to improve the management level of on-site operations, and thereby basically achieved safe and stable operation of production equipment. The Company deepened benchmark management, continued to adopt advanced technologies in the industry, and strived to improve output and economic and technical indicators, in order to consolidate the foundation for the profitability of coal-chemical enterprises.

Facing the adverse effects of sluggish market demand and fluctuations in crude oil prices, the Company proactively searched new approaches for business cooperation, endeavored to tap the potential demand of new and existing customers, flexibly adjusted to sales strategies, strengthened the connection of production and sales, and continuously increased market shares and enhanced the brand influence of China Coal Energy. The Company continuously strengthened the fine management of logistics to effectively reduce logistics costs. The Company not only coordinated the outbound transportation of its products, but also enriched the delivery methods to improve the efficiency of product delivery. The Company enhanced the benefits of polyolefin by taking full advantage of the location coordination of affiliated enterprises and the synergy effect of industry value chains. During the reporting period, the accumulated sales volume of polyolefin, urea and methanol amounted to 755,000 tonnes, 1,145,000 tonnes and 267,000 tonnes, respectively.

Production and sales volume of coal-chemical products (10 thousand tonnes)		January to June in 2020	January to June in 2019	Change (%)
(I)	Polyolefin			
1.	Polyethylene: Production volume	38.9	38.0	2.4
	Sales volume	37.8	38.0	-0.5
2.	Polypropylene: Production volume	37.4	35.7	4.8
	Sales volume	37.7	34.8	8.3
(II)	Urea			
1.	Production volume	86.6	99.7	-13.1
2.	Sales volume	114.5	128.6	-11.0
(III)	Methanol			
1.	Production volume	28.9	40.1	-27.9
2.	Sales volume	26.7	37.8	-29.4

Business Performance

III. COAL MINING EQUIPMENT OPERATIONS

The Company precisely analysed the market situation through keenly capturing the market trend and paying close attention to market information, adopted scientific and flexible marketing strategies as well as reasonable and appropriate price adjustment strategies, and hence expanded the market share of its leading products. During the reporting period, the accumulated trading amount of signed contracts increased by 3.7% on a year-on-year basis. Focusing on the overall idea of “systematic layout, high-end improvement, intelligent breakthrough, green expansion, and platform extension”, the Company increased technological innovation efforts and fully promoted the construction of integrated service providers. The Company made full use of the technological and production advantages in chain, transmission, casting and forging, improved the research and development of non-coal products, and implemented various non-coal transformation projects. As a result, the revenue from accessories and non-coal business accounted for 43.5%. Through continuously promoting lean management optimizing the production organization and meticulously planning on investments, manufacture and production of accessories, the Company increased production delivery efficiency. During the reporting period, the production value of coal mining equipment was RMB4.63 billion, representing a year-on-year increase of 7.4%.

	Production value (RMB100 million)			Sales revenue (RMB100 million)	
	January to June in 2020	January to June in 2019	Change (%)	January to June in 2020	Percentage of operating revenue of the coal mining equipment segment (%)
Mining machinery					
Main conveyor products	19.0	17.8	6.7	19.0	41.7
Main support products	18.7	16.1	16.1	16.3	35.7
Others	8.6	9.2	-6.5	10.3	22.6
Total	46.3	43.1	7.4	45.6	—

- Note: 1. The sales revenue in the table represents the sales revenue of the coal mining equipment segment before netting of inter-segmental sales.
2. The production value (revenue) of the main products includes the production value (revenue) of the related accessories and services. The revenue of others includes part of the trade revenue.

Business Performance

IV. FINANCIAL OPERATIONS

Building on its own business development and the whole industry value chain for coal business, the Company proactively leveraged on the specialized functions of financial services, value creation and risk management of China Coal Finance Company, promoting high-quality development for the Company. The Company strengthened the refined management of interbank deposits, closely tracked and timely analysed the trend of market interest rates, dynamically optimized and adjusted the interbank deposit allocation strategy, giving full play to the efficiency and effectiveness of intensive capital. By way of continuously digging deep into the Company's internal financial demands and innovative methods of digital financial platform functions and financial service, the Company formed a full-range bill business chain, including bill acceptance, discounting, taken rediscounting and buy-back and repurchase type of rediscounting and rediscounting, with advantages of a full-range bill business chain. During the reporting period, the balance of average daily self-operated loans amounted to RMB13.05 billion, representing a year-on-year increase of 12.1%; more than 400 bills were discounted, with a discount amount of RMB1.92 billion. At the end of the reporting period, deposits taken amounted to RMB32.77 billion and the self-operated loans amounted to RMB13.18 billion, all hitting the highest level in history over the same period.

Financial business (RMB100 million)	January to June in 2020	January to June in 2019	Change (%)
Scale of deposits absorbed	327.7	287.3	14.1
Placement of interbank deposits	218.1	192.4	13.4
Scale of self-operated loans	131.8	117.2	12.5

V. ILLUSTRATION OF THE PROGRESS OF OPERATING PLANS

In the first half of the year, affected by the COVID-19 pandemic, the domestic and international environment was severe and complex. As the domestic pandemic prevention and control continued to improve, the resumption of work, production and business was accelerated, and China's economy was steadily recovering. Focusing on annual production and operation objectives, the Company well managed pandemic prevention and control, production and operation, and other tasks, reasonably organized production, strengthened the coordination between production, transportation, and sales, focused on operation and management to fully improve quality and efficiency, thereby the major indicators reflected positive performance. During the reporting period, the Company achieved remarkable results in all aspects, with the revenue of RMB61.393 billion, the profit attributable to the equity holders of the Company of RMB2.529 billion, the production volume of commercial coal of 53.07 million tonnes, and the sales volume of coal of 115.63 million tonnes. In the second half of the year, the Company will continue to strengthen the organization of production and sales, to put in greater efforts to explore market opportunities, to focus on improving quality and efficiency, and to carry out all tasks in a coordinated way, striving to accomplish annual production targets and operation plan.

Investor Relations

In the first half of the year, China Coal Energy responded quickly to changes in the external environment, actively optimized investor relations, maintained smooth communication channels for investors, reasonably provide guidance on capital market expectations, and held 24 investor meetings with 379 attendees in total.

1. PAYING GREAT ATTENTION TO MAINTAINING INVESTOR RELATIONS

During the extraordinary period, China Coal Energy overcame difficulties and completed the disclosure of regular reports on time, and held routine telephone briefings for holders of A Shares and H Shares in a timely manner to introduce the company's production and operation situations to investors at home and abroad, and answer investors' key concerns. At the same time, the Company continued to arrange the reception of investors' on-site visits, answer visitors' queries earnestly and candidly. In addition, the Company attached great importance to investor protection campaigns and conducted campaigns targeted at different online and offline audiences.

2. INTERACTIVE COMMUNICATION THROUGH VARIOUS CHANNELS

The Company communicates with investors online by participating in online or telephone strategy meetings held by securities firms. Through the E-interactive Platform of the Shanghai Stock Exchange, the Company continued to answer to the questions related to the Company's development strategies, operation and management, etc. The Company also appointed dedicated staff to answer the calls from the investor hotline and to deal with emails, faxes and WeChat enquiries, providing minority investors with timely reply to inquiries, so as to effectively safeguard their rights to know. Through on-site and online voting at the Shareholders' general meeting, the Company set up effective channels with various forms to fully protect minority investors' right to be informed and right to participate regarding major events of the Company.

3. FOCUSING ON INFORMATION FEEDBACK FROM CAPITAL MARKET

The Company conducted the dynamic tracking of share price valuation, analysts' reports and media comments, while analysing hot topics in the capital market in due course, and advising the Company's management with the responses of the capital market in a timely manner to facilitate their decision-making. Following the disclosure of the Company's results, the Company actively enquired the views and comments of 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.

A mountain makes its greatness for never overlooking even a grain of soil; and a river or sea makes its deepness for never detesting a small stream. China Coal Energy will constantly improve the level of investor communication services, continuously strengthen investor relations management and enhance investors' understanding and recognition of the Company.

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 places where the Company's Shares are listed, etc., and taking into account of its actual circumstances, the Company continued to 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, as well as 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, two 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 workflow and improving work quality to ensure regulated 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 service agreements entered into with the Company, the Directors and the Supervisors of the Company had no personal interests, directly or indirectly, in any material contracts entered into by the Company and its subsidiaries in the first half of 2020.

II. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE CORPORATE GOVERNANCE REPORT

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

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

Corporate Governance

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 to 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

During the reporting period, the audit and risk management committee under the Board discussed the impact of the COVID-19 pandemic on the Group’s operating results with reference to relevant guidance issued by the Hong Kong Financial Reporting Council with the management. In the opinion of the audit and risk management committee under the Board, the management has assessed the Group’s ability to continue as a going concern based on appropriate assumptions and concluded that the Group possessed adequate cash flow and that the COVID-19 pandemic has not had material adverse impact on the Company’s ability to continue as a going concern. The management also monitored impairment indications on non-financial assets such as intangible assets, property, plant and equipment to evaluate the needs for an impairment test when appropriate. The management strictly checked the Group’s revenue against the requirements under relevant accounting standards, and made sure that the fair value of assets and liabilities was calculated based on market measurement. The Group possessed adequate internal control and ensured effective measurement and management of the expected credit loss of receivables.

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 2020 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 2020, 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 2019

The Company's plan of profit distribution for the year of 2019 was considered and approved at the Company's 2019 annual general meeting held on 16 June 2020. Cash dividend of RMB1,687,931,100 was distributed to the Shareholders, representing 30% of the net profit attributable to the equity holders of the listed Company which was RMB5,626,437,000, for the year of 2019 as set out in the consolidated financial statements of 2019 prepared in accordance with the Chinese accounting standards for business enterprises. The proposed dividend distribution was based on the Company's entire issued share capital of 13,258,663,400 Shares, representing a dividend of RMB0.127 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 2020

The Company does not distribute any interim profit for 2020 and does not implement capitalisation from capital reserve.

IV. ASSETS TRANSACTION

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

Disclosure of Major Events

V. INVESTMENT OF THE COMPANY DURING THE REPORTING PERIOD

(I) Performance of Capital Expenditure Budgeted During the Reporting Period

In 2020, 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 four categories, namely infrastructure projects, procurement and maintenance of fixed assets, equity investment and other capital expenditures. The total capital expenditure budgeted for 2020 was RMB13.666 billion. During the reporting period, the actual investment amount was RMB2.810 billion, representing 20.56% of the annual budget.

Performance of Capital Expenditure Budgeted for the First Half of 2020 (By Items)

Unit: RMB100 million

Items of capital expenditure	Actual investment from January to June 2020	Budgeted investment in 2020	Actual investment ratio %
Total	28.10	136.66	20.56
Infrastructure projects	22.04	100.78	21.87
Procurement and maintenance of fixed assets	3.98	27.76	14.34
Equity investment	1.49	3.12	47.76
Other capital expenditures	0.59	5.00	11.80

Performance of Capital Expenditure Budgeted for the First Half of 2020 (By Business Segments)

Unit: RMB100 million

Business segments	Actual investment from January to June 2020	Budgeted investment in 2020	Actual investment ratio %
Total	28.10	136.66	20.56
Coal	17.49	103.83	16.84
Coal chemical	9.80	26.72	36.68
Coal mining equipment	0.19	2.13	8.92
Power generation	0.30	3.60	8.33
Other	0.32	0.38	84.21

(II) Overall Analysis of External Equity Investments

In the first half of the year, the Company completed external equity investment of RMB149 million, which primarily includes RMB103 million for the consolidation of small scale coal mines within the boundary of Pingshuo East Open Pit Mine and RMB10 million to the investment in the second power plant located in the north of Wucui Bay, Zhundong.

Disclosure of Major Events

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

For the six months ended 30 June 2020, 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 2020, to the 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 and/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 the HKSE Website (www.hkex.com.hk).

Save as disclosed above, as of 30 June 2020, to the best knowledge of the Directors, supervisors and chief executive of the Company, there were no other persons who were interested or held short positions in the Company’s shares or underlying shares as recorded in the register of interests required to be maintained under section 336 of the Securities and Futures Ordinance.

Disclosure of Major Events

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 2020, none of the Directors, supervisors or chief executive of the Company had any interests and/or short positions in the 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 pursuant to the Model Code.

As of 30 June 2020, the Company had not granted any rights to any 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 of 30 June 2020, the Company had a total of 38,896 on-the-job employees, including 22,329 production personnel, 971 sales personnel, 8,957 technical personnel, 816 financial personnel, 3,119 administrative personnel and 2,704 other personnel.

Focusing on its high-quality development goals, the Company continued to promote the optimisation of human resources allocation. The Company also strengthened the building of the core talent team, optimized staff structure and enhanced the caliber of its employees, so as to ensure the production and operation needs of the Company.

During the pandemic, the Company actively organized online training using various Internet platform to promote continuous education for its employees on situational tasks, management improvement and overall quality of the employees. Relying on internet organizations to participate in online specialized thematic courses of facilitating high quality development of state-owned enterprise, a total of 396 leading cadres of the Company and members of the Company participated in several trainings including the Three System Reforms, digitalization construction and internationalised operation of enterprises, etc.

In terms of employee remuneration strategy, the Company vigorously promoted the reform of the decision-making mechanism of the total amounts of salaries of its employees, benchmarked high-quality development requirements and sought to find disadvantages and overcome shortcomings as its starting point, and continuously improved the assessment and distribution system, and the synergies of performance assessment and remuneration distribution would further emerge. The Company also made effective use of various mid-to-long term incentives, established multi-level and systematic mid-to-long term incentive systems, as well as promoted the income allocation reform in a more rational and orderly way.

X. UPDATE ON DIRECTORS' AND SUPERVISORS' INFORMATION

N/A.

Disclosure of Major Events

XI. OTHER SIGNIFICANT EVENTS

(I) Registration and Issuance of Corporate Bonds

The Company successfully registered corporate bonds of RMB10 billion on 10 March 2020 (for professional investors), and completed the public issuance of the 2020 first tranche corporate bonds (for professional investors) on 18 March 2020, of which the issue amount is RMB3 billion with a term of five years and an interest rate of 3.60%.

For details, please refer to the relevant announcements published on the websites of SSE, HKSE and the Company on 12 March, 18 March and 19 March 2020.

(II) Registration and Issuance of Medium-Term Notes:

The Company successfully registered medium-term notes of RMB5 billion on 16 March 2020, and completed the issuance of the 2020 first tranche medium-term notes on 13 April, of which the issue amount of Series one is RMB1.5 billion with a term of five years and a coupon rate of 3.28%, and the issue amount of Series two is RMB500 million with a term of seven years and a coupon rate of 3.60%.

For details, please refer to the relevant announcements published on the websites of SSE, HKSE and the Company on 17 March and 14 April 2020.

(III) Matters in Relation to Setting the Category and Annual Caps of Connected Transactions

On 28 April 2020, the second meeting of the fourth session of the Board considered and approved the “Proposal in respect of Setting the Exempt Annual Caps of the Continuing Connected Transactions of the Company for the years from 2021 to 2023”. On 16 June 2020, the Proposal has been approved by the 2019 annual general meeting of the Company.

For details, please refer to the relevant announcements and circulars published on the websites of SSE, HKSE and the Company on 28 April 2020.

XII. SUBSEQUENT EVENT

On 27 July 2020, the Company completed the payment of the 2013 first tranche of medium-term notes in the amount of RMB5.0 billion on time.

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 chemical, coal mining equipment and electric power industry in China, the changes of the regulatory policies and 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 47 to 100, which comprise the condensed consolidated statement of financial position as of 30 June 2020 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

Deloitte.

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**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

28 August 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited) (Restated)
Revenue	7	61,393,186	61,042,809
Cost of sales	10		
Materials used and goods traded		(32,240,470)	(29,706,506)
Staff costs		(2,178,265)	(2,359,707)
Depreciation and amortisation		(4,704,029)	(4,635,697)
Repairs and maintenance		(895,402)	(746,460)
Transportation costs and port expenses		(5,668,138)	(6,317,288)
Sales taxes and surcharges		(1,700,821)	(1,820,406)
Others		(3,889,030)	(3,877,367)
		<u>(51,276,155)</u>	<u>(49,463,431)</u>
Gross profit		10,117,031	11,579,378
Selling expenses	10	(388,722)	(368,325)
General and administrative expenses	10	(1,901,964)	(2,027,172)
Other income		1,600	–
Other gains and losses, net	8	67,228	56,413
Impairment losses under expected credit loss model, net of reversal	9	(15,417)	(2,096)
		<u>7,879,756</u>	<u>9,238,198</u>
Profit from operations		7,879,756	9,238,198
Finance income	11	89,404	43,544
Finance costs	11	(2,467,279)	(2,361,131)
Share of profits of associates and joint ventures		264,148	1,532,759
		<u>5,766,029</u>	<u>8,453,370</u>
Profit before income tax		5,766,029	8,453,370
Income tax expense	12	(1,592,100)	(1,974,186)
		<u>4,173,929</u>	<u>6,479,184</u>
Profit for the period		4,173,929	6,479,184

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
			(Restated)
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss			
Fair value changes on equity instruments at fair value through other comprehensive income, net of tax		<u>(15,173)</u>	<u>(41,018)</u>
Items that may be reclassified subsequently to profit or loss			
Fair value changes on debt instruments at fair value through other comprehensive income, net of tax		28,130	22,344
Reversal of impairment loss for debt instruments at fair value through other comprehensive income included in profit or loss		(9,333)	–
Exchange differences arising on translation of foreign operations		<u>(96)</u>	<u>(468)</u>
		<u>18,701</u>	<u>21,876</u>
Other comprehensive income (expense) for the period, net of tax		<u>3,528</u>	<u>(19,142)</u>
Total comprehensive income for the period		<u>4,177,457</u>	<u>6,460,042</u>
Profit for the period attributable to:			
Equity holders of the Company		2,529,122	4,126,958
Non-controlling interests		<u>1,644,807</u>	<u>2,352,226</u>
		<u>4,173,929</u>	<u>6,479,184</u>
Total comprehensive income for the period attributable to:			
Equity holders of the Company		2,527,991	4,103,155
Non-controlling interests		<u>1,649,466</u>	<u>2,356,887</u>
		<u>4,177,457</u>	<u>6,460,042</u>
Basic and diluted earnings per share for profit attributable to equity holders of the Company (RMB)			
	14	<u>0.19</u>	<u>0.31</u>

Condensed Consolidated Statement of Financial Position

At 30 June 2020

		30 June 2020	31 December 2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited) (Restated)
Non-current assets			
Property, plant and equipment	15	131,183,699	129,997,971
Right-of-use assets		413,828	433,788
Investment properties		80,680	79,903
Mining rights	16	42,186,358	38,880,087
Intangible assets	17	1,523,389	1,627,730
Land use rights	18	6,122,636	6,154,374
Goodwill		6,084	6,084
Interests in associates		20,826,641	20,886,640
Interests in joint ventures		2,896,382	3,289,977
Equity instruments at fair value through other comprehensive income		2,313,179	2,328,755
Deferred income tax assets	29	2,828,413	2,775,470
Long-term receivables		610,226	250,012
Other non-current assets	19	7,446,554	10,732,928
Total non-current assets		218,438,069	217,443,719
Current assets			
Inventories	20	7,476,127	8,170,403
Trade receivables	21	8,717,045	7,314,547
Debt instruments at fair value through other comprehensive income	21	4,864,431	6,897,430
Contract assets	22	1,242,968	953,581
Prepayments and other receivables	23	6,833,791	6,167,108
Restricted bank deposits	24	3,685,309	3,376,327
Term deposits with initial terms of over three months		6,537,279	10,090,101
Cash and cash equivalents		24,676,812	12,137,655
Total current assets		64,033,762	55,107,152
TOTAL ASSETS		282,471,831	272,550,871

Condensed Consolidated Statement of Financial Position

At 30 June 2020

		30 June 2020	31 December 2019
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited) (Restated)
Current liabilities			
Trade and notes payables	25	24,812,026	23,270,439
Contract liabilities		1,661,279	2,588,765
Accruals, advances and other payables	26	16,872,029	18,768,153
Taxes payables		1,034,349	1,001,538
Lease liabilities		54,369	67,329
Short-term borrowings	27	2,181,462	4,266,347
Current portion of long-term borrowings	27	19,736,911	22,673,139
Current portion of long-term bonds	28	13,796,172	10,991,992
Current portion of provision for close down, restoration and environmental costs	30	70,910	69,762
Total current liabilities		80,219,507	83,697,464
Non-current liabilities			
Long-term borrowings	27	41,846,370	34,374,705
Long-term bonds	28	24,126,202	21,934,045
Deferred income tax liabilities	29	5,925,235	5,866,547
Lease liabilities		435,136	436,194
Provision		34,663	35,457
Provision for employee benefits		114,556	101,142
Provision for close down, restoration and environmental costs	30	3,266,637	3,247,028
Deferred revenue		1,522,860	1,578,842
Other long-term liabilities		5,363,156	4,001,921
Total non-current liabilities		82,634,815	71,575,881
Total liabilities		162,854,322	155,273,345

Condensed Consolidated Statement of Financial Position

At 30 June 2020

		30 June 2020	31 December 2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited) (Restated)
Equity			
Share capital	<i>31</i>	13,258,663	13,258,663
Reserves		47,381,433	47,108,224
Retained earnings		37,237,786	36,681,075
		<hr/>	<hr/>
Equity attributable to the equity holders of the Company		97,877,882	97,047,962
Non-controlling interests		21,739,627	20,229,564
		<hr/>	<hr/>
Total equity		119,617,509	117,277,526
		<hr/> <hr/>	<hr/> <hr/>
TOTAL EQUITY AND LIABILITIES		282,471,831	272,550,871
		<hr/> <hr/>	<hr/> <hr/>

Li Yanjiang
Chairman of the Board
Executive Director

Chai Qiaolin
Chief Financial Officer

Zheng Weili
Manager of Finance Department

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to the equity holders of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000		
At 1 January 2020 as previously reported (Audited)	13,258,663	47,082,724	36,677,706	97,019,093	20,201,827	117,220,920
Effect of business combination under common control in 2020 (Note 3.2)	–	25,500	3,369	28,869	27,737	56,606
At 1 January 2020 (Restated)	13,258,663	47,108,224	36,681,075	97,047,962	20,229,564	117,277,526
Profit for the period	–	–	2,529,122	2,529,122	1,644,807	4,173,929
Other comprehensive (expense) income for the period	–	(1,131)	–	(1,131)	4,659	3,528
Total comprehensive (expense) income for the period	–	(1,131)	2,529,122	2,527,991	1,649,466	4,177,457
Appropriations	–	244,203	(244,203)	–	–	–
Share of other changes of reserve of associates and joint ventures	–	55,637	(55,637)	–	–	–
Acquisition of a subsidiary under common control in 2020 (Note 3.2)	–	(25,500)	(4,576)	(30,076)	–	(30,076)
Contributions from non-controlling interests	–	–	–	–	598	598
Dividends (Note 13)	–	–	(1,683,946)	(1,683,946)	(155,327)	(1,839,273)
Others	–	–	15,951	15,951	15,326	31,277
At 30 June 2020 (Unaudited)	13,258,663	47,381,433	37,237,786	97,877,882	21,739,627	119,617,509
At 1 January 2019 as previously reported (Audited)	13,258,663	46,304,712	32,357,258	91,920,633	18,530,436	110,451,069
Effect of business combination under common control in 2020 (Note 3.2)	–	25,500	1,199	26,699	25,652	52,351
At 1 January 2019 (Restated)	13,258,663	46,330,212	32,358,457	91,947,332	18,556,088	110,503,420
Profit for the period (Restated) (Note 3.2)	–	–	4,126,958	4,126,958	2,352,226	6,479,184
Other comprehensive (expense) income for the period	–	(23,803)	–	(23,803)	4,661	(19,142)
Total comprehensive (expense) income for the period (Restated)	–	(23,803)	4,126,958	4,103,155	2,356,887	6,460,042
Transfer	–	(157,395)	157,395	–	–	–
Appropriations	–	363,147	(363,147)	–	–	–
Share of other changes of reserve of associates and joint ventures	–	136,502	(136,502)	–	–	–
Acquisition of a subsidiary under common control in 2019 (Note 3.1)	–	(24,318)	–	(24,318)	–	(24,318)
Dividends (Note 13)	–	–	(1,034,177)	(1,034,177)	(252,977)	(1,287,154)
At 30 June 2019 (Unaudited) (Restated)	13,258,663	46,624,345	35,108,984	94,991,992	20,659,998	115,651,990

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited) (Restated)
OPERATING ACTIVITIES			
Cash generated from operations	32	10,737,832	12,210,283
Income tax paid		(1,559,572)	(1,972,678)
Net cash generated from operating activities		<u>9,178,260</u>	<u>10,237,605</u>
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(4,319,548)	(4,444,821)
Proceeds from disposals of property, plant and equipment		10,102	39,708
Payments for land use rights, mining rights and intangible assets		(620,920)	(225,224)
Net cash inflow on acquisition of a subsidiary	36	8,208	–
Purchases of equity instruments at fair value through other comprehensive income		–	(50,000)
Payment for investments in joint ventures		(16,000)	(8,000)
Dividends received		173,062	538,924
Loan repayment from fellow subsidiaries and associates		2,001,911	1,457,001
Loans granted to fellow subsidiaries		(1,965,000)	(1,849,000)
Interest income on loan receivables		45,043	79,640
Interest income on term deposits		89,990	177,999
Decrease (increase) in term deposits with initial terms of over three months		<u>3,552,822</u>	<u>(2,053,549)</u>
Net cash used in investing activities		<u>(1,040,330)</u>	<u>(6,337,322)</u>

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited) (Restated)
FINANCING ACTIVITIES		
Proceeds from borrowings	20,013,040	10,104,351
Repayments of borrowings	(17,976,075)	(8,293,867)
Payments for acquisition of a subsidiary under common control	(30,076)	(24,318)
Contributions from non-controlling interests	598	–
Dividends paid	(211,181)	(293,343)
Interest paid	(2,317,968)	(2,359,071)
Proceeds from issuance of long-term bonds	5,000,000	–
Repayments of leases liabilities	(46,227)	(30,216)
Bonds issuance costs	(35,683)	(17,280)
	<hr/>	<hr/>
Net cash generated from (used in) financing activities	4,396,428	(913,744)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	12,534,358	2,986,539
Cash and cash equivalents, at beginning of the period	12,137,655	8,375,661
Effect of foreign exchange rate changes	4,799	405
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	24,676,812	11,362,605
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

1. ORGANISATION AND PRINCIPAL ACTIVITIES

China Coal Energy Company Limited (the “Company”) was established in The People’s Republic of China (the “PRC”) on 22 August 2006 as a joint stock company with limited liability under the Company Law of the PRC as a result of a group restructuring of China National Coal Group Corporation (“China Coal Group” or the “Parent Company”) in preparing for the listing of the Company’s shares on The Main Board of The Stock Exchange of Hong Kong Limited (the “Restructuring”). The Company and its subsidiaries (collectively the “Group”) is principally engaged in mining and processing of coal, sales of coal and coal-chemical products, 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”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2020 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

As at 30 June 2020, the Group’s current liabilities exceeded its current assets by approximately RMB16,186 million. When the Group needs money to repay the short-term debts or make investments, the Group can finance the fund by the following ways:

- On 10 March 2020, the Company obtained the approval from China Securities Regulatory Commission to issue corporate bonds up to a maximum amount of RMB10,000,000,000 to professional investors. On 18 March 2020, the Company has issued the first tranche of corporate bonds with a principal amount of RMB3,000,000,000, the remaining RMB7,000,000,000 can be issued when necessary;
- On 16 March 2020, the Company obtained approval from the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) to issue medium-term notes up to a maximum outstanding amount of RMB5,000,000,000, the Company has issued RMB1,500,000,000 and RMB500,000,000 in April 2020, the remaining RMB3,000,000,000 can be issued with future financing arrangements;
- Unutilised bank facilities are available for draw-down when necessary; and
- Other sources of financing are available given the Group’s credit rating and long-term relationship with reputable domestic banks and other financial institutions.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

2. BASIS OF PREPARATION (CONTINUED)

2.1 Going Concern (continued)

After making enquiries, the directors of the Company 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 the condensed consolidated financial statements.

3. RESTATEMENTS ARISING FROM BUSINESS COMBINATIONS UNDER COMMON CONTROL

3.1 2019 Acquisition

The Group completed the acquisition from China Coal Group the 100% equity interest in Shanxi China Coal Pingshuo Dongrisheng Coal Mining Co., Ltd. (“Dongrisheng Company”), which was previously acquired by China Coal Group on 1 January 2018, for a cash consideration of RMB24,318,000 on 19 March 2019. The acquisition was referred to as the “2019 Acquisition”.

3.2 2020 Acquisition

On 30 April 2020, the Group acquired the 51% equity interest in China Coal Xinji Intelligent Technology Co., Ltd (“Xinji Company”) for a cash consideration of RMB30,076,000. The acquisition was referred to as the “2020 Acquisition”.

As the Group and Xinji Company were under common control of China Coal Group before and after the 2020 Acquisition, the acquisition is considered as a business combination under common control. The principle of merger accounting for business combination involving businesses under common control has therefore been applied. As a result, the condensed consolidated financial statements of the Group have been prepared as if Xinji Company was a subsidiary of the Company ever since it became under common control of China Coal Group.

Accordingly, the condensed consolidated statement of financial position as at 31 December 2019 has been restated to include the assets and liabilities of Xinji Company at carrying amounts in the books of China Coal Group. The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended 30 June 2019 have been restated to include the results and cash flows of Xinji Company as if Xinji Company was a subsidiary of the Company throughout the six months ended 30 June 2019. Respective notes to the condensed consolidated financial statements have also been restated. All significant intragroup transactions, balances, income and expenses are eliminated on combination.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

3. RESTATEMENTS ARISING FROM BUSINESS COMBINATIONS UNDER COMMON CONTROL (CONTINUED)

3.2 2020 Acquisition (continued)

As a result of the 2020 Acquisition, the relevant line items in the condensed consolidated statement of financial position as at 31 December 2019 have been restated. The following table shows the effect for each individual line item affected:

	The Group (as previously reported) <i>RMB' 000</i>	Effect of the 2020 Acquisition <i>RMB' 000</i>	Eliminations <i>RMB' 000</i>	The Group (Restated) <i>RMB' 000</i>
Condensed consolidated statement of financial position at 31 December 2019:				
Non-current assets				
Property, plant and equipment	129,997,871	100	–	129,997,971
Intangible assets	1,627,726	4	–	1,627,730
Deferred income tax assets	2,775,209	261	–	2,775,470
Current assets				
Inventories	8,170,288	115	–	8,170,403
Trade receivables	7,316,222	2,523	(4,198)	7,314,547
Prepayments and other receivables	6,084,181	82,927	–	6,167,108
Cash and cash equivalents	12,137,419	236	–	12,137,655
Current liabilities				
Trade and notes payables	23,249,507	25,130	(4,198)	23,270,439
Accruals, advances and other payables	18,764,686	3,467	–	18,768,153
Taxes payables	1,000,575	963	–	1,001,538
Equity				
Share capital	13,258,663	50,000	(50,000)	13,258,663
Reserves	47,082,724	2,309	23,191	47,108,224
Retained earnings	36,677,706	4,297	(928)	36,681,075
Non-controlling interests	20,201,827	–	27,737	20,229,564

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

3. RESTATEMENTS ARISING FROM BUSINESS COMBINATIONS UNDER COMMON CONTROL (CONTINUED)

3.2 2020 Acquisition (continued)

As a result of the 2020 Acquisition, the relevant line items in the condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of cash flows for the six months ended 30 June 2019, have been restated. The following table shows the effect for each individual line item affected:

	The Group (as previously reported) <i>RMB'000</i>	Effect of the 2020 Acquisition <i>RMB'000</i>	Eliminations <i>RMB'000</i>	The Group (Restated) <i>RMB'000</i>
Condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2019:				
Revenue	61,031,699	13,110	(2,000)	61,042,809
Cost of sales	(49,457,273)	(8,158)	2,000	(49,463,431)
General and administrative expenses	(2,024,394)	(2,778)	–	(2,027,172)
Finance income	43,541	3	–	43,544
Finance costs	(2,361,130)	(1)	–	(2,361,131)
Income tax expense	(1,973,642)	(544)	–	(1,974,186)
Profit for the period attributable to:				
Equity holders of the Company	4,126,126	1,632	(800)	4,126,958
Non-controlling interests	2,351,426	–	800	2,352,226
Total comprehensive income for the period attributable to:				
Equity holders of the Company	4,102,323	1,632	(800)	4,103,155
Non-controlling interests	2,356,087	–	800	2,356,887
Condensed consolidated statement of cash flows for the six months ended 30 June 2019:				
Net cash generated from (used in):				
Operating activities	10,240,536	(2,931)	–	10,237,605
Investing activities	(6,337,322)	–	–	(6,337,322)
Financing activities	(913,744)	–	–	(913,744)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

4. PRINCIPAL 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, as appropriate.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>
Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4.1 Impacts of application on Amendments to IAS 1 and IAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

4.2 Impacts and accounting policies on application of Amendments to IFRS 3 “Definition of a Business”

4.2.1 Accounting policies

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

4.2.2 Transition and summary of effects

The Group has not elected to apply the optional concentration test on the application of a subsidiary as detailed in Note 36 and concluded that such acquisition does not constitute a business applying the amended definition of a business. That is, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

In addition, the Group has applied the following accounting policies, which became relevant to the Group in the current interim period.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

5. 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 2019.

6. SEGMENTS INFORMATION

6.1 General information

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

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

The Group's operating and 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 just one 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

6. SEGMENTS INFORMATION (CONTINUED)

6.1 General information (continued)

(b) Operating and reportable segments

The Group's operating and reportable segments are coal, coal-chemical products, mining machinery and finance.

- Coal – Production and sales of coal;
- Coal-chemical products – Production and sales of coal-chemical products;
- Mining machinery – Manufacturing and sales of mining machinery; and
- Finance – Providing deposits-taking, loans, bills acceptance and discount and other financial services to the entities within the Group and China Coal Group.

In addition, segments relating to electricity generating, aluminium, equipment trading agency services, tendering services and other insignificant manufacturing businesses which are not separately reported and are combined and disclosed within “Others” segment category.

6.2 Information about operating and reportable segment profit or loss, assets and liabilities

(a) Measurement of operating and reportable 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 made 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 advanced payment and assets and liabilities of head office.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

6. SEGMENTS INFORMATION (CONTINUED)

6.2 Information about operating and reportable segment profit or loss, assets and liabilities (continued)

(b) Operating and reportable segments' profit or loss, assets and liabilities

	For the six months ended 30 June 2020 (Unaudited) and as at 30 June 2020 (Unaudited)								
	Coal	Coal- chemical products	Mining machinery	Finance	Others	Total segment	Unallocated	Inter- segment elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue									
Total revenue	48,244,478	8,094,764	4,561,222	575,436	3,255,861	64,731,761	-	(3,338,575)	61,393,186
Inter-segment revenue	(1,869,837)	(124,634)	(603,932)	(207,952)	(532,220)	(3,338,575)	-	3,338,575	-
Revenue from external customers	<u>46,374,641</u>	<u>7,970,130</u>	<u>3,957,290</u>	<u>367,484</u>	<u>2,723,641</u>	<u>61,393,186</u>	<u>-</u>	<u>-</u>	<u>61,393,186</u>
Segment results									
Profit (loss) from operations	6,147,947	894,932	244,042	405,240	435,454	8,127,615	(145,120)	(102,739)	7,879,756
Profit (loss) before income tax	5,556,789	245,047	224,205	404,959	317,767	6,748,767	(971,301)	(11,437)	5,766,029
Interest income	213,435	19,753	2,964	-	7,153	243,305	660,995	(814,896)	89,404
Interest expense	(1,109,893)	(566,533)	(47,545)	-	(125,726)	(1,849,697)	(1,525,547)	905,543	(2,469,701)
Depreciation and amortisation	(2,955,252)	(1,489,192)	(200,084)	(693)	(313,468)	(4,958,689)	(8,755)	-	(4,967,444)
Share of profits (losses) of associates and joint ventures	309,380	(99,672)	18,943	-	(2,669)	225,982	38,166	-	264,148
Income tax expense	(1,396,521)	(65,832)	(15,105)	(105,722)	(7,336)	(1,590,516)	-	(1,584)	(1,592,100)
Other material non-cash items									
(Provision for) reversal of impairment of other assets	490	11,040	(17,903)	12,597	(16,265)	(10,041)	(183)	(18,416)	(28,640)
Addition to non-current assets	3,497,515	918,678	145,762	-	1,133	4,563,088	5,389	-	4,568,477
Segment assets and liabilities									
Total assets	<u>153,224,986</u>	<u>59,676,109</u>	<u>16,743,255</u>	<u>24,300,250</u>	<u>16,656,019</u>	<u>270,600,619</u>	<u>26,113,425</u>	<u>(14,242,213)</u>	<u>282,471,831</u>
Including: interests in associates and joint ventures	<u>7,386,655</u>	<u>11,474,014</u>	<u>919,749</u>	<u>-</u>	<u>112,331</u>	<u>19,892,749</u>	<u>3,830,274</u>	<u>-</u>	<u>23,723,023</u>
Total liabilities	<u>58,787,816</u>	<u>18,342,881</u>	<u>6,439,338</u>	<u>5,800,582</u>	<u>9,710,108</u>	<u>99,080,725</u>	<u>76,861,670</u>	<u>(13,088,073)</u>	<u>162,854,322</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

6. SEGMENTS INFORMATION (CONTINUED)

6.2 Information about operating and reportable segment profit or loss, assets and liabilities (continued)

(b) Operating and reportable segments' profit or loss, assets and liabilities (continued)

	For the six months ended 30 June 2019 (Unaudited) (Restated) and as at 31 December 2019 (Audited) (Restated)								
	Coal RMB'000	Coal- chemical products RMB'000	Mining machinery RMB'000	Finance RMB'000	Others RMB'000	Total segment RMB'000	Unallocated RMB'000	Inter- segment elimination RMB'000	Total RMB'000
Segment revenue									
Total revenue	48,481,358	9,407,224	4,120,192	543,321	2,347,945	64,900,040	-	(3,857,231)	61,042,809
Inter-segment revenue	(2,412,207)	(190,941)	(614,889)	(180,418)	(458,776)	(3,857,231)	-	3,857,231	-
Revenue from external customers	<u>46,069,151</u>	<u>9,216,283</u>	<u>3,505,303</u>	<u>362,903</u>	<u>1,889,169</u>	<u>61,042,809</u>	<u>-</u>	<u>-</u>	<u>61,042,809</u>
Segment results									
Profit (loss) from operations	7,761,540	1,334,487	165,253	355,647	(143,673)	9,473,254	(157,450)	(77,606)	9,238,198
Profit (loss) before income tax	7,496,734	1,573,105	132,036	355,336	(197,770)	9,359,441	(922,694)	16,623	8,453,370
Interest income	39,065	24,865	6,439	-	3,471	73,840	732,950	(763,246)	43,544
Interest expense	(864,798)	(641,215)	(42,628)	-	(57,462)	(1,606,103)	(1,608,344)	858,619	(2,355,828)
Depreciation and amortisation	(2,963,572)	(1,413,634)	(201,837)	(597)	(276,157)	(4,855,797)	(8,640)	-	(4,864,437)
Share of profits of									
associates and joint ventures	583,327	837,895	2,231	-	-	1,423,453	110,608	(1,302)	1,532,759
Income tax (expense) credit	(1,733,733)	(127,758)	(14,856)	(88,872)	44,097	(1,921,122)	(52,262)	(802)	(1,974,186)
Other material non-cash items									
(Provision for) reversal of impairment of other assets	(15,055)	(2,491)	2,309	(13,722)	1,263	(27,696)	-	16,284	(11,412)
Addition to non-current assets	3,469,241	868,748	196,684	488	956,351	5,491,512	2,617	-	5,494,129
Segment assets and liabilities									
Total assets	<u>158,821,352</u>	<u>58,857,474</u>	<u>16,471,627</u>	<u>22,301,344</u>	<u>11,588,123</u>	<u>268,039,920</u>	<u>21,198,514</u>	<u>(16,687,563)</u>	<u>272,550,871</u>
Including: interests in associates and joint ventures	<u>7,581,633</u>	<u>11,734,418</u>	<u>901,124</u>	<u>-</u>	<u>105,000</u>	<u>20,322,175</u>	<u>3,854,442</u>	<u>-</u>	<u>24,176,617</u>
Total liabilities	<u>69,538,778</u>	<u>29,407,744</u>	<u>6,865,944</u>	<u>19,835,299</u>	<u>8,355,675</u>	<u>134,003,440</u>	<u>35,844,113</u>	<u>(14,574,208)</u>	<u>155,273,345</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

6. SEGMENTS INFORMATION (CONTINUED)

6.3 Geographical information

Information about the Group's revenue from external customers is presented based on the geographical location of the operations with reference to the customers' location. Information about the Group's non-current assets is presented based on the geographical location of the assets.

Analysis of revenue

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
		(Restated)
Domestic markets	61,024,723	60,630,182
Overseas markets	368,463	412,627
	<u>61,393,186</u>	<u>61,042,809</u>

Analysis of non-current assets

	30 June	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
		(Restated)
Domestic markets	208,452,857	207,325,921
Overseas markets	594	771
	<u>208,453,451</u>	<u>207,326,692</u>

Note:

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

6.4 Major customers

No revenue from transaction with single external customer was amounted to 10% or more of the Group's revenue for the six months ended 30 June 2020 and 2019.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

7. REVENUE

	Six months ended 30 June	
	2020	2019
	<i>RMB' 000</i>	<i>RMB' 000</i>
	(Unaudited)	(Unaudited) (Restated)
Goods and services	60,890,398	60,558,503
Rental income	135,304	121,403
Interest income	367,484	362,903
	<u>61,393,186</u>	<u>61,042,809</u>

Disaggregation of revenue from contract with customers:

	Six months ended 30 June 2020 (Unaudited)				
	Coal	Coal-chemical	Mining machinery	Others	Total
	<i>RMB' 000</i>	<i>RMB' 000</i>	<i>RMB' 000</i>	<i>RMB' 000</i>	<i>RMB' 000</i>
Sales of goods recognised					
Sales of coal	46,181,180	–	–	–	46,181,180
Sales of coal-chemical products	–	7,939,520	–	–	7,939,520
Sales of mining machinery	–	–	3,674,123	–	3,674,123
Sales of electric power	–	–	–	1,376,135	1,376,135
Sales of aluminium products	–	–	–	469,784	469,784
Others	60,979	22,683	227,054	18,442	329,158
	<u>46,242,159</u>	<u>7,962,203</u>	<u>3,901,177</u>	<u>1,864,361</u>	<u>59,969,900</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

7. REVENUE (CONTINUED)

Disaggregation of revenue from contract with customers: (continued)

	Six months ended 30 June 2020 (Unaudited)				
	Coal	Coal-chemical	Mining machinery	Others	Total
	<i>RMB' 000</i>	<i>RMB' 000</i>	<i>RMB' 000</i>	<i>RMB' 000</i>	<i>RMB' 000</i>
Provision of services recognised					
Agent services	10,502	–	1,978	262,321	274,801
Railway services	–	–	–	75,877	75,877
Others	16,131	7,120	27,125	519,444	569,820
	<u>26,633</u>	<u>7,120</u>	<u>29,103</u>	<u>857,642</u>	<u>920,498</u>
Revenue from contracts with customers	<u>46,268,792</u>	<u>7,969,323</u>	<u>3,930,280</u>	<u>2,722,003</u>	<u>60,890,398</u>
Analysed by geographical markets					
Domestic markets	46,145,551	7,748,113	3,909,292	2,718,979	60,521,935
Overseas markets	123,241	221,210	20,988	3,024	368,463
	<u>46,268,792</u>	<u>7,969,323</u>	<u>3,930,280</u>	<u>2,722,003</u>	<u>60,890,398</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

7. REVENUE (CONTINUED)

Disaggregation of revenue from contract with customers: (continued)

	Six months ended 30 June 2019 (Unaudited) (Restated)				
	Coal <i>RMB'000</i>	Coal- chemical products <i>RMB'000</i>	Mining machinery <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Sales of goods recognised					
Sales of coal	45,923,100	–	–	–	45,923,100
Sales of coal-chemical products	–	9,202,543	–	–	9,202,543
Sales of mining machinery	–	–	3,361,015	8,557	3,369,572
Sales of electric power	–	–	–	851,135	851,135
Sales of aluminium products	–	–	–	583,321	583,321
Others	47,947	11,345	119,888	95,513	274,693
	<u>45,971,047</u>	<u>9,213,888</u>	<u>3,480,903</u>	<u>1,538,526</u>	<u>60,204,364</u>
Provision of services recognised					
Agent services	6,769	–	–	229,420	236,189
Railway services	–	–	–	64,484	64,484
Others	371	2,382	13,044	37,669	53,466
	<u>7,140</u>	<u>2,382</u>	<u>13,044</u>	<u>331,573</u>	<u>354,139</u>
Revenue from contracts with customers	<u>45,978,187</u>	<u>9,216,270</u>	<u>3,493,947</u>	<u>1,870,099</u>	<u>60,558,503</u>
Analysed by geographical markets					
Domestic markets	45,783,108	9,000,078	3,493,947	1,868,743	60,145,876
Overseas markets	195,079	216,192	–	1,356	412,627
	<u>45,978,187</u>	<u>9,216,270</u>	<u>3,493,947</u>	<u>1,870,099</u>	<u>60,558,503</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

7. REVENUE (CONTINUED)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Six months ended 30 June 2020 (Unaudited)			
	Segment revenue <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Less: rental and interest income <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Coal	48,244,478	(1,869,837)	(105,849)	46,268,792
Coal-chemical products	8,094,764	(124,634)	(807)	7,969,323
Mining machinery	4,561,222	(603,932)	(27,010)	3,930,280
Finance	575,436	(207,952)	(367,484)	–
Others	3,255,861	(532,220)	(1,638)	2,722,003
Total	64,731,761	(3,338,575)	(502,788)	60,890,398

	Six months ended 30 June 2019 (Unaudited) (Restated)			
	Segment revenue <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Less: rental and interest income <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Coal	48,481,358	(2,412,207)	(90,964)	45,978,187
Coal-chemical products	9,407,224	(190,941)	(13)	9,216,270
Mining machinery	4,120,192	(614,889)	(11,356)	3,493,947
Finance	543,321	(180,418)	(362,903)	–
Others	2,347,945	(458,776)	(19,070)	1,870,099
Total	64,900,040	(3,857,231)	(484,306)	60,558,503

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

8. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Government grants	85,621	85,321
Losses on disposal of property, plant and equipment, net	(2,883)	(5,231)
Others	(15,510)	(23,677)
	<u>67,228</u>	<u>56,413</u>

9. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Impairment losses under expected credit loss model, net of reversal, on:		
– Trade receivables	(17,131)	10,816
– Other receivables	15,734	(3,423)
– Contract assets	(5,730)	(2,771)
– Loans to fellow subsidiaries	(17,623)	(6,718)
– Debt instruments at FVTOCI	9,333	–
	<u>(15,417)</u>	<u>(2,096)</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

10. EXPENSES BY NATURE

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

	Six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited) (Restated)
Depreciation	4,582,450	4,571,781
Amortisation	384,994	292,656
Materials used and goods traded	32,275,932	29,713,046
Transportation costs and port expenses	5,668,138	6,317,288
Sales tax and surcharges	1,700,821	1,820,406
Auditors' remuneration	13,782	6,321
Repairs and maintenance	903,234	764,291
Lease expenses under recognition exemption (<i>Note</i>)	45,524	33,262
Employee benefits expenses (including directors' emoluments)	3,319,135	3,646,911
Provision for impairment of inventories	13,223	9,316
Other expenses	4,659,608	4,683,650
	<hr/>	<hr/>
Total cost of sales, selling expenses and general and administrative expenses	53,566,841	51,858,928

Note:

The lease rentals for the current period mainly consist of expenses related to short-term leases which the Group has been applied the recognition exemption under IFRS 16 "Leases".

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

11. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited) (Restated)
Finance income:		
– Interest income on bank deposits	44,361	43,544
– Interest income on loans receivables	45,043	–
	<u>89,404</u>	<u>43,544</u>
Total finance income	<u>89,404</u>	<u>43,544</u>
Interest expense:		
– Borrowings	1,563,495	1,676,160
– Bonds payable	902,129	895,949
– Unwinding of discount	121,245	89,331
– Lease liabilities	13,304	13,591
Other incidental bank charges	2,613	8,665
Net foreign exchange gains	(5,035)	(3,362)
	<u>2,597,751</u>	<u>2,680,334</u>
Less: amounts capitalised on qualifying assets	<u>(130,472)</u>	<u>(319,203)</u>
Total finance costs	<u>2,467,279</u>	<u>2,361,131</u>
Finance costs, net	<u>2,377,875</u>	<u>2,317,587</u>

Note:

Capitalisation rates of finance costs capitalised on qualifying assets were as follows:

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Capitalisation rates used to determine the amount of finance costs eligible for capitalisation	<u>1.20%-4.80%</u>	<u>3.43%-5.70%</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

12. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited) (Restated)
Current income tax		
– PRC enterprise income tax (<i>Note</i>)	1,592,383	2,004,558
Deferred income tax (<i>Note 29</i>)	(283)	(30,372)
	<u>1,592,100</u>	<u>1,974,186</u>

Note:

The provision for the PRC enterprise income tax 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 of 15% based on the relevant PRC tax laws and regulations.

13. DIVIDENDS

During the current interim period, a final dividend of RMB0.127 per share in respect of the year ended 31 December 2019 (six month ended 30 June 2019 (Unaudited): RMB0.078 per share in respect of the year ended 31 December 2018), comprising 13,258,663,400 shares existed as at 31 December 2019 was approved at the annual general meeting of the Company held on 16 June 2020. The aggregate amount of the final dividend approved in the current interim period amounted to RMB1,683,946,000 (2018 final dividend approved during the six months ended 30 June 2019(Unaudited): RMB1,034,177,000).

The directors of the Company do not recommend the payment of an interim dividend for the current interim period (six months ended 30 June 2019 (Unaudited): Nil).

14. EARNINGS PER SHARE

Basic earnings per share for the six months ended 30 June 2020 and 2019 is calculated by dividing the profit attributable to equity holders of the Company by the number of 13,258,663,400 ordinary shares in issue during both periods.

As the Company had no potential ordinary shares in issue for the six months ended 30 June 2020 and 2019, diluted earnings per share are presented equals to basic earnings per share.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

15. PROPERTY, PLANT AND EQUIPMENT

	30 June 2020 <i>RMB'000</i> (Unaudited)	30 June 2019 <i>RMB'000</i> (Unaudited) (Restated)
Opening net book amount	129,997,971	132,082,463
Acquisition of a subsidiary (<i>Note 36</i>)	1,799,833	–
Additions	3,992,085	5,357,967
Transfer to intangible assets	(3,057)	–
Disposals	(12,985)	(85,016)
Depreciation charges	(4,590,148)	(4,488,482)
	<u>131,183,699</u>	<u>132,866,932</u>
Closing net book amount	<u>131,183,699</u>	<u>132,866,932</u>

Note:

Borrowings are secured by certain property, plant and equipment with an aggregate net book amount of RMB1,212,672,000 (31 December 2019 (Audited): RMB1,729,876,000).

16. MINING RIGHTS

	30 June 2020 <i>RMB'000</i> (Unaudited)	30 June 2019 <i>RMB'000</i> (Unaudited)
Opening net book amount	38,880,087	35,552,718
Additions	304,994	–
Acquisition of a subsidiary (<i>Note 36</i>)	3,187,045	–
Disposal	–	(38,876)
Reclassification	49,742	–
Amortisation charges	(235,510)	(214,911)
	<u>42,186,358</u>	<u>35,298,931</u>
Closing net book amount	<u>42,186,358</u>	<u>35,298,931</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

17. INTANGIBLE ASSETS

	30 June 2020 RMB'000 (Unaudited)	30 June 2019 RMB'000 (Unaudited) (Restated)
Opening net book amount	1,627,730	1,689,407
Additions	13,958	29,013
Disposal	–	(826)
Impairment provision	(2,992)	–
Reclassification	(49,020)	–
Amortisation charges	(66,287)	(72,767)
	<u>1,523,389</u>	<u>1,644,827</u>
Closing net book amount	<u>1,523,389</u>	<u>1,644,827</u>

18. LAND USE RIGHTS

	30 June 2020 RMB'000 (Unaudited)	30 June 2019 RMB'000 (Unaudited)
Opening net book amount	6,154,374	5,320,455
Additions	24,235	8,695
Acquisition of a subsidiary (Note 36)	10,915	–
Reclassification	(722)	–
Amortisation charges	(66,166)	(69,434)
	<u>6,122,636</u>	<u>5,259,716</u>
Closing net book amount	<u>6,122,636</u>	<u>5,259,716</u>

Note:

Bank borrowings are secured by certain land use rights for an aggregate net book amount of RMB70,144,000 (31 December 2019 (Audited): RMB71,010,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

19. OTHER NON-CURRENT ASSETS

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Prepayments for long-term investments (<i>Note (a)</i>)	448,300	3,537,496
Prepayments for mining rights (<i>Note (b)</i>)	1,015,000	1,015,000
Prepayments for constructions in progress and equipment	44,879	18,135
Prepayments for land use rights (<i>Note (b)</i>)	439,987	464,966
Deductible value added tax	319,866	396,289
Loans to fellow subsidiaries (<i>Note (c)</i>)	4,534,204	3,728,980
Entrusted loans	300,000	1,275,000
Others	344,318	297,062
	<hr/>	<hr/>
Total	7,446,554	10,732,928

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 prepayments are recorded as other non-current assets.
- (b) As the relevant legal procedures related to mining rights licenses and land use rights are still in process, such payments are recorded as other non-current assets. These prepayments will be recorded under mining rights and land use rights, respectively upon completion of related legal procedures.
- (c) The loans to fellow subsidiaries are unsecured and repayable after 12 months from the end of reporting period with interest rates ranging from 4.41% to 5.94% (31 December 2019 (Audited): ranging from 4.41% to 5.94%) per annum.

Included in the carrying amount of the loans to fellow subsidiaries as at 30 June 2020 is allowance for credit losses of RMB80,576,000 (31 December 2019 (Audited): RMB67,712,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

20. INVENTORIES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited) (Restated)
Coal	1,983,504	996,763
Machinery for sale	3,211,290	3,752,055
Coal-chemical products	425,306	626,330
Auxiliary materials, spare parts and tools	1,856,027	2,795,255
	<u>7,476,127</u>	<u>8,170,403</u>

Note:

The provisions for impairment of inventories of the Group amounted to RMB307,170,000 as at 30 June 2020 (31 December 2019 (Audited): RMB306,495,000)

21. TRADE RECEIVABLES AND DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (“FVTOCI”)

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited) (Restated)
Trade receivables (<i>Notes (a), (b) and (c)</i>)	<u>8,717,045</u>	<u>7,314,547</u>
Debt instruments at FVTOCI (<i>Notes (d) and (e)</i>)	<u>4,864,431</u>	<u>6,897,430</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

21. TRADE RECEIVABLES AND DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (“FVTOCI”) (CONTINUED)

Notes:

(a) Aging analysis of trade receivables presented based on invoice date at the end of each reporting period is as follows:

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited) (Restated)
Within 6 months	6,286,908	5,167,134
6 months – 1 year	1,167,226	1,206,096
1 – 2 years	920,479	645,842
2 – 3 years	210,642	193,327
Over 3 years	669,152	623,302
	<hr/>	<hr/>
Trade receivables, gross	9,254,407	7,835,701
Less: Allowance for credit losses	(537,362)	(521,154)
	<hr/>	<hr/>
Trade receivables, net	8,717,045	7,314,547

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) The carrying amounts of trade receivables are denominated in the following currencies:

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited) (Restated)
RMB	8,715,576	7,310,151
US Dollar (“USD”)	1,469	4,396
	<hr/>	<hr/>
	8,717,045	7,314,547

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

21. TRADE RECEIVABLES AND DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (“FVTOCI”) (CONTINUED)

Notes: (continued)

- (c) The carrying amounts of trade receivables approximate to their fair values.
- (d) Debt instruments at FVTOCI are notes receivables which were considered to be held within a business model whose objective is achieved by both selling and collecting contractual cash flows. The notes receivables are principally bank accepted notes with maturity of less than one year (31 December 2019 (Audited): less than one year).

As at 30 June 2020, debt instruments at FVTOCI of RMB311,699,000 (31 December 2019 (Audited): RMB447,055,000) were pledged to banks for issuing notes payables amounting to RMB313,812,000 (31 December 2019 (Audited): RMB446,973,000).

As at 30 June 2020, debt instruments at FVTOCI of RMB19,915,000 (31 December 2019 (Audited): RMB8,958,000) were also pledged to banks for borrowings amounting to RMB19,915,000 (31 December 2019 (Audited): RMB9,000,000).

- (e) Transfers of financial assets

As at 30 June 2020, debt instruments at FVTOCI of RMB19,915,000 (31 December 2019 (Audited): RMB8,958,000) and RMB752,547,000 (31 December 2019 (Audited): RMB1,128,057,000) were discounted to banks or endorsed to suppliers of the Group, but were not derecognised as the Group has not transferred the significant risks and rewards relating to these notes receivables.

As at 30 June 2020, the Group endorsed or discounted notes receivables to suppliers or banks, respectively, aggregating to RMB2,501,653,000 (31 December 2019 (Audited): RMB4,483,713,000). In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership relating to these notes receivables and, accordingly, the Group fully derecognised the carrying amounts of these notes receivables and associated trade payables. The maximum exposure to loss from the Group’s continuing involvement, if any, in the endorsed and discounted notes receivables equals to their carrying amounts. In the opinion of the directors of the Company, the fair values of the Group’s continuing involvement in the derecognised notes receivables are not significant.

22. CONTRACT ASSETS

	30 June 2020 RMB’000 (Unaudited)	31 December 2019 RMB’000 (Audited)
Coal mining machinery – current	<u>1,242,968</u>	<u>953,581</u>

The contract assets primarily relate to the Group’s right to consideration for coal mining machinery delivered but not billed because the rights are conditional mainly on obtaining the customers’ testing certificate as stipulated in the contracts. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfer the contract assets to trade receivables in 12 months.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

23. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited) (Restated)
Advances to suppliers	1,522,165	1,328,858
Interest receivable	284,987	339,350
Dividends receivable	990,943	428,079
Loans to fellow subsidiaries (<i>Note (a)</i>)	670,416	555,175
Value added tax related to contract assets	162,528	135,116
Other amounts due from related parties, gross (<i>Note (b)</i>)	1,388,050	1,416,788
Other amounts due from third parties, gross	<u>2,372,535</u>	<u>2,537,336</u>
	7,391,624	6,740,702
Less: Allowance for credit losses	<u>(557,833)</u>	<u>(573,594)</u>
Prepayments and other receivables, net	<u>6,833,791</u>	<u>6,167,108</u>

Notes:

(a) The loans to fellow subsidiaries are unsecured and repayable within 12 months from the end of reporting period with the interest rates ranging from 4.56% to 4.78% (31 December 2019 (Audited): ranging from 4.57% to 5.66%) per annum.

(b) Other amounts due from related parties are unsecured, interest-free and repayable on demand.

24. RESTRICTED BANK DEPOSITS

Restricted bank deposits mainly include the deposits set aside for the environmental restoration fund and the transformation fund as required by the regulations, the deposits set aside for land rehabilitation, letter of credit deposits, bank acceptance bill deposits, letter of guarantee deposits and mandatory reserve deposits of China Coal Finance Company Limited (“China Coal Finance”), a subsidiary of the Company, in the People’s Bank of China.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

25. TRADE AND NOTES PAYABLES

	30 June 2020	31 December 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited) (Restated)
Trade payables (<i>Note</i>)	20,454,136	18,727,585
Notes payables	4,357,890	4,542,854
	<u>24,812,026</u>	<u>23,270,439</u>

Note:

Aging analysis of trade payables based on date of delivery of goods and service received is as follows:

	30 June 2020	31 December 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited) (Restated)
Less than 1 year	16,856,008	15,513,381
1 – 2 years	1,188,716	967,444
2 – 3 years	599,590	542,438
Over 3 years	1,809,822	1,704,322
	<u>20,454,136</u>	<u>18,727,585</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

26. ACCRUALS, ADVANCES AND OTHER PAYABLES

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited) (Restated)
Payables for acquisition of subsidiaries	717,372	454,918
Payables for compensation for local mining companies	77,418	214,500
Dividends payable	2,008,873	380,781
Payables for site restoration	143,422	186,777
Mineral and water resource compensation payable	81,042	85,611
Salaries and staff welfare payable	1,513,788	1,908,371
Interest payable	1,089,948	965,528
Commission payable (<i>Note 28</i>)	44,450	49,133
Payables for mining rights	427,745	460,019
Payables for the mining rights transfer	854,459	854,459
Payable for mine capacity replacement quota	478,250	528,250
Advance from a non-controlling interest of a subsidiary	278,975	260,344
Contractor's deposits	193,852	164,015
Deposits from fellow subsidiaries (<i>Note (a)</i>)	5,627,045	8,814,837
Other amounts due to related parties (<i>Note (b)</i>)	162,490	356,916
Other amounts due to third parties	1,819,779	1,859,932
Other taxes payable	1,353,121	1,223,762
	<u>16,872,029</u>	<u>18,768,153</u>

Notes:

- (a) The balances represents fellow subsidiaries' deposits in the saving account at China Coal Finance. The deposits are unsecured and payable on demand or due within 12 months from the end of reporting period, with interest rates ranging from 0.35% to 2.25% (31 December 2019 (Audited): ranging from 0.35% to 4.50%) per annum.
- (b) Other amounts due to related parties are unsecured, interest-free and payable on demand.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

27. BORROWINGS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Short-term borrowings		
Bank loans and loans from other financial institutions and non-controlling shareholders of subsidiaries		
– Secured	54,915	44,000
– Guaranteed	127,000	120,000
– Unsecured	<u>1,999,547</u>	<u>4,102,347</u>
	<u>2,181,462</u>	<u>4,266,347</u>
Long-term borrowings		
Bank loans and loans from other financial institutions		
– Secured	398,508	808,888
– Guaranteed	673,650	903,650
– Unsecured	<u>60,446,266</u>	<u>55,220,240</u>
	61,518,424	56,932,778
Loans from non-controlling interests		
– Unsecured	<u>64,857</u>	<u>115,066</u>
	61,583,281	57,047,844
Less: amount due within one year under current liabilities	<u>(19,736,911)</u>	<u>(22,673,139)</u>
Non-current portion	<u>41,846,370</u>	<u>34,374,705</u>
Total short-term and long-term borrowings	<u>63,764,743</u>	<u>61,314,191</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

28. LONG-TERM BONDS

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Bonds payable	37,890,374	32,877,037
Commission payable	76,450	98,133
	<u>37,966,824</u>	<u>32,975,170</u>
Less: current portion of bonds payable	(13,796,172)	(10,991,992)
current portion of commission payable (<i>Note 26</i>)	(44,450)	(49,133)
	<u>24,126,202</u>	<u>21,934,045</u>

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, advances and other payables.

29. 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 they related to income taxes levied to the same taxable entity by the same taxation authority.

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:

For the six months ended 30 June 2020 (Unaudited)

	Deferred income tax assets <i>RMB'000</i>	Deferred income tax liabilities <i>RMB'000</i>	Total <i>RMB'000</i>
Opening balance (Audited) (Restated)	3,416,519	(6,507,596)	(3,091,077)
(Charged) credited to profit or loss	(49,748)	50,031	283
(Charged) credited to other comprehensive income	(6,431)	403	(6,028)
	<u>3,360,340</u>	<u>(6,457,162)</u>	
Closing balance (Unaudited)	(531,927)	531,927	
Offset amount	<u>2,828,413</u>	<u>(5,925,235)</u>	

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

29. DEFERRED INCOME TAX (CONTINUED)

For the six months ended 30 June 2019 (Unaudited)

	Deferred income tax assets <i>RMB'000</i>	Deferred income tax liabilities <i>RMB'000</i>	Total <i>RMB'000</i>
Opening balance (Audited) (Restated)	3,551,096	(6,625,441)	(3,074,345)
(Charged) credited to profit or loss	(9,624)	39,996	30,372
Charged to other comprehensive income	(6,391)	(266)	(6,657)
	<u>3,535,081</u>	<u>(6,585,711)</u>	
Closing balance (Unaudited) (Restated)	3,535,081	(6,585,711)	
Offset amount	(675,737)	675,737	
	<u><u>2,859,344</u></u>	<u><u>(5,909,974)</u></u>	

30. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	30 June 2020 <i>RMB'000</i> (Unaudited)	30 June 2019 <i>RMB'000</i> (Unaudited)
Opening balance	3,316,790	1,463,575
Interest charge on unwinding of discounts	43,891	27,551
Provisions (<i>Note</i>)	3,432	848,420
Payments	(26,566)	—
	<u>3,337,547</u>	<u>2,339,546</u>
Closing balance	3,337,547	2,339,546
Less: current portion	(70,910)	(48,221)
	<u><u>3,266,637</u></u>	<u><u>2,291,325</u></u>

Note:

The Group re-estimated the mine geological restoration and environmental cost mainly according to the updated Implementing Rules of Mine Geological Environment Protection and Land Reclamation Scheme released by certain provinces in PRC during the current period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

31. SHARE CAPITAL

	Number of shares <i>(thousands)</i>	Share capital <i>RMB'000</i>
At 1 January 2019, 31 December 2019 and 30 June 2020		
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
	<u>13,258,663</u>	<u>13,258,663</u>

There is no movement in the Company's issued share capital during the six months ended 30 June 2020 and 2019.

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

As at 30 June 2020 and 31 December 2019, 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

32. CASH GENERATED

Reconciliation of profit before income tax to cash generated from operations

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Profit before income tax	5,766,029	8,453,370
Adjustments for:		
Depreciation charges	4,582,450	4,571,781
Amortisation charges	384,994	292,656
Impairment losses under expected credit loss model, net of reversal	15,417	2,096
Provision for impairment of inventories	13,223	9,316
Losses on disposal of property, plant and equipment, net	2,883	5,231
Provision for close down, restoration, and environmental costs	1,943	34,751
Share of profits of associates and joint ventures	(264,148)	(1,532,759)
Net foreign exchange gains	(5,035)	(3,362)
Dividend income	(1,600)	–
Interest income on term deposits with initial terms of over three months and loans receivables	(80,127)	(314,236)
Interest expense	2,469,701	2,355,828
Operating cash flows before movements in working capital	<u>12,885,730</u>	<u>13,874,672</u>
Changes in working capital:		
Decrease in inventories	723,051	435,683
Decrease (increase) in trade receivables and debt instruments at FVTOCI	533,712	(2,204,901)
(Increase) decrease in contract assets	(295,117)	101,660
(Increase) decrease in prepayments and other receivables	(558,504)	321,971
Increase in trade and notes payables	1,066,488	1,174,574
Decrease in accruals, advance and other payables	(2,381,060)	(980,380)
Increase in restricted bank deposits	(308,982)	(877)
Decrease in contract liabilities	(927,486)	(512,119)
Cash generated from operations	<u><u>10,737,832</u></u>	<u><u>12,210,283</u></u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

33. CONTINGENT LIABILITIES

The Group is 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 of the Group.

34. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for by the Group at end of the reporting period but not yet incurred is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Property, plant and equipment	7,249,247	6,905,253
Mining rights	<u>235,000</u>	<u>235,000</u>
	<u>7,484,247</u>	<u>7,140,253</u>

(b) Investment commitments

According to the agreement entered into on 15 July 2006, Zhongtian Synergetic Energy Company Limited (“Zhongtian Synergetic”) was established by the Company, China Petroleum & Chemical Corporation and other three companies. As a 38.75% shareholder, by 30 June 2020 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 in October 2014, Shanxi Jingshen Railway Company Limited (“Jingshen Railway”) was established by the subsidiary of the Company, China Coal Shaanxi Yulin Energy & Chemical (“Shaanxi Yulin”), Shaanxi Coal and Chemical Industry Group Co., Ltd., Shaanxi Yulin Coal Distribution Co., Ltd. and other six companies. As a 4% shareholder, by 30 June 2020 Shaanxi Yulin has invested RMB215 million in Jingshen Railway and is committed to further invest RMB33 million in the future.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

35. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

35.1 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 2019.

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

35.2 Fair value estimation

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

35. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

35.2 Fair value estimation (continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

Fair value as at	Financial assets		Fair value Hierarchy	Valuation technique(s) and key input(s)
	30 June 2020	31 December 2019		
	RMB'000 (Unaudited)	RMB'000 (Audited)		
1) Listed equity instruments at FVTOCI	21,840	24,730	Level 1	Quoted bid prices in an active market.
2) Debt instruments at FVTOCI	4,864,431	6,897,430	Level 2	Discounted cash flow at a discount rate that reflects the credit risk of the drawee of notes at the end of the reporting period.
3) Unlisted equity instruments at FVTOCI	2,291,339	2,304,025	Level 3	Income or Market approach, where more appropriate.

Income approach – the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate.

Market approach – valuations are derived by reference to observable valuation measures for comparable companies, and adjusted for the differences between the investments and the referenced comparables.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

35. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

35.2 Fair value estimation (continued)

Reconciliation of Level 3 fair value measurements of financial assets

Unlisted equity instruments at FVTOCI

	30 June 2020 RMB'000 (Unaudited)	30 June 2019 RMB'000 (Unaudited)
Opening balance	2,304,025	4,538,286
Additions	–	50,000
Transfer to investments in associates	–	(2,265,793)
Fair value change recognised in other comprehensive income	<u>(12,686)</u>	<u>(42,066)</u>
Closing balance	<u>2,291,339</u>	<u>2,280,427</u>

Included in other comprehensive income is loss of RMB12,686,000 (six months ended 30 June 2019 (Unaudited): RMB42,066,000) relating to unlisted equity securities designated as at FVTOCI held at the end of the current reporting period and is reported as changes of “other reserves”.

35.3 Fair value of financial assets and financial 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 to their fair value.

	As at 30 June 2020		As at 31 December 2019	
	Carrying amount RMB'000 (Unaudited)	Fair value RMB'000 (Unaudited)	Carrying amount RMB'000 (Audited)	Fair value RMB'000 (Audited)
Long-term borrowings (Level 2)	41,846,370	41,864,378	34,374,705	34,515,631
Long-term bonds (including amounts due within one year) (Level 1)	<u>37,922,374</u>	<u>39,468,838</u>	<u>32,926,037</u>	<u>34,094,934</u>

The fair value of long-term borrowings was determined based on discounted cash flows 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

36. ACQUISITION OF A SUBSIDIARY

Up to 14 April 2020, China Coal Pingshuo Group Co., Ltd (中煤平朔集團有限公司), a subsidiary of the Group finally completed acquisition of the 100% equity interests in Shanxi China Coal Panjiayao Coal Co., Ltd. (山西中煤潘家窑煤業有限公司) (“Panjiayao”) and the total consideration is RMB2,882,909,000, which is estimated to include the delivery of agreed quantity of coal over agreed time span. On acquisition completion date, Panjiayao primarily owns coal mining rights, land use rights and coal mining structures under construction but has not yet commenced any business or operations. This acquisition is accounted for as an acquisition of assets and the associated liabilities.

Assets and liabilities recognised at the date of acquisition are as follows:

	<i>RMB'000</i>
	(Unaudited)
Current assets	
Cash and cash equivalents	8,208
Prepayments and other receivables	<u>80</u>
Non-current assets	
Property, plant and equipment	1,799,833
Mining rights	3,187,045
Land use rights	<u>10,915</u>
Current liabilities	
Accruals, advances and other payables	<u>(2,123,172)</u>
Net assets acquired	<u><u>2,882,909</u></u>
Total consideration (Note)	<u><u>2,882,909</u></u>

Note: RMB1,309,675,000 of the consideration was prepaid as prepayments for long-term investments in prior years and the remaining consideration has been included in payables for acquisition of subsidiaries (Note 26) and other long-term liabilities as at 30 June 2020.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

36. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Assets and liabilities recognised at the date of acquisition are as follows: (continued)

	<i>RMB'000</i> (Unaudited)
Net cash inflow arising on acquisition:	
Consideration paid in cash	–
Less: Bank balances and cash acquired	8,208
	<hr/>
	8,208
	<hr/> <hr/>

37. SIGNIFICANT RELATED PARTY TRANSACTIONS

Transactions and balances with the 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 influenced by the PRC government (“government-related entities”).

Set out below is a summary of significant related party transactions for the years ended 30 June 2020 and 2019.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

37. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited) (Restated)
Transactions with the Parent Company and fellow subsidiaries:		
Coal Export and Sales Agency Services (Note (i))		
Agency fees for coal export and sales to the Parent Company	761	200
Integrated Materials and Services Mutual Provision (Note (ii))		
Purchase of production material, machinery and equipment from the Parent Company and fellow subsidiaries	1,379,252	944,719
Charges for social and support services provided by the Parent Company and fellow subsidiaries	35,220	32,339
Sales of production material, machinery and equipment to the Parent Company and fellow subsidiaries	470,475	308,179
Revenue of coal export-related services from the Parent Company and fellow subsidiaries	1,360	2,786
Mine Construction, Design and General Contracting Service (Note (iii))		
Charges for mine construction and design services provided by the Parent Company and fellow subsidiaries	663,470	634,110
Property Leasing (Notes (iv) and (v))		
Property leasing expenses to the Parent Company and fellow subsidiaries	18,582	23,255
Coal Supplies (Note (vi))		
Coal purchased from the Parent Company and fellow subsidiaries	1,555,130	1,564,217

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

37. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited) (Restated)
Financial services (Note (vii))		
Loans granted to fellow subsidiaries	1,965,000	1,849,000
Loans repayment received from fellow subsidiaries	1,026,911	1,457,001
Deposits paid to the Parent Company and fellow subsidiaries	3,179,792	1,733,783
Interest paid or payable to the Parent Company and fellow subsidiaries	33,470	46,467
Interest received or receivable from the Parent Company and fellow subsidiaries	113,303	79,640
Fee paid for use of trademark (Note (viii))	RMB1	RMB1
Transactions with joint ventures of the Group:		
Sales and services provided		
Income from renting property, plant and equipment	91	–
Transactions with associates of the Group:		
Sales and services provided		
Sales of machinery and equipment	129,232	87,146
Railway rental income	60,005	71,588
Sales of coal	938,585	1,003,117
Income from providing labor services	33,068	36,511
Sales of production material and ancillary services	90,294	96,622
Agency income	115	2,791
Purchase of goods and services		
Purchases of coal	700,160	992,427
Purchases of materials and spare parts	521,472	638,312
Transportation services purchased	136,727	131,272
Receiving railway custody service	216,391	184,161
Receiving construction and technical services	27,428	26,510

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

37. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Financial services (Note (vii))		
Loans repayment received	975,000	–
Interest income	26,410	–
Transactions with a substantial shareholder of a significant subsidiary:		
Sales and services provided (Note (ix))		
Sales of coal	264,218	281,234
Commitments to the Parent Company and fellow subsidiaries		
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
With the Parent Company and fellow subsidiaries		
– Purchases of services	5,903,387	5,972,441
– Leasing payments	2,339	600
Total	<u>5,905,726</u>	<u>5,973,041</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

37. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

Loan guarantees to associates and joint ventures of the Group

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Loan guarantees to		
– Associates	11,341,274	12,578,594
– Joint ventures	217,500	245,000
	<hr/>	<hr/>
Total	11,558,774	12,823,594

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. 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 2020.
- (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 materials 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. The above two agreements had been renewed to extend the term to 31 December 2020.
- (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 has been renewed to extend the term to 31 December 2020.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

37. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

Notes: (continued)

- (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 years 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 RMB111,040,000 for 2018 to 2020.
- (v) The leasing expenses represent the expenses relating to short-term leases under recognition exemption.
- As at 30 June 2020, the right-of-use assets include property and land use rights leased from the Parent Company and its fellow subsidiaries amounting to RMB409,420,000 (31 December 2019 (Audited): RMB430,311,000), and the associated lease liabilities amounting to RMB484,599,000 (31 December 2019 (Audited): RMB501,628,000).
- (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 and China Coal Group entered into a Financial Services Framework Agreement on 23 October 2014, under which China Coal Finance provides financial services to China Coal Group within its business scope. This agreement had been renewed to extend the term to 31 December 2020.
- (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 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 was renewed to extend the term to 31 December 2020.

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

37. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions and balances with the 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, a substantial shareholder of a significant subsidiary, the Group has extensive 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 accordance with the contracts the Group entered into based on market prices.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

37. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Key management compensation

Key management includes directors (executive and non-executive), supervisors and other key management personnel.

The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Key management compensation		
Salary, allowances and other benefits		
– Directors and supervisors	1,229	1,152
– Other key management	1,049	1,304
	<u>2,278</u>	<u>2,456</u>
Pension costs – defined contribution plans		
– Directors and supervisors	60	77
– Other key management	139	166
	<u>199</u>	<u>243</u>

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	Yi Baohou
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	China Securities Journal, Securities Daily
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 of Exchange for listing of shares	Short name of stock	Stock Code	Short name of stock before change
A Shares	the Shanghai Stock Exchange	China Coal Energy	601898	
H Shares	The Stock Exchange of Hong Kong Limited	China Coal Energy	01898	

Authorised Representatives of the Company	Li Yanjiang, Yi Baohou
Company Secretary	Yi Baohou

Company Profile

ACCOUNTING FIRMS OF THE COMPANY

Domestic accounting firm of the Company	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Office address of the domestic accounting firm of the Company	30/F, Bund Center, 222 Yan An Road East, Huangpu District, Shanghai, China
International accounting firm of the Company	Deloitte Touche Tohmatsu
Office address of the international accounting firm of the Company	35/F, 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, Xicheng District, Beijing, China
Legal advisor as to Hong Kong law	DLA Piper Hong Kong
Contact Address	17/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong

SHARE REGISTRARS FOR DOMESTIC AND OVERSEAS LISTED SHARES

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

Definitions

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

Company/China Coal Energy/ the Group/the Company	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 director(s) of the Company, including all the executive directors, non-executive directors and independent non-executive directors
Supervisors	the supervisor(s) of the Company
China Coal Group	China National Coal Group Corporation, the controlling shareholder of the Company
Shanghai Energy Company	Shanghai Datun Energy Resources Company Limited
China Coal Yuanxing Company	Inner Mongolia China Coal Yuanxing Energy Chemical Company Limited (內蒙古中煤遠興能源化工有限公司)
Dahaize Coal Mine	Dahaize Coal Mine Project of China Coal Shaanxi Yulin Energy & Chemical Co., Ltd.
Libi Coal Mine	Libi Coal Mine of China Coal Huajin Group Jincheng Energy Co., Ltd.
Technological Transformation Project of Methanol Output of 1 Million Tonnes from Synthetic Gas	the technological transformation project of annual methanol output of 1 million tonnes from synthetic gas of China Coal Ordos Energy Chemical Company Limited
Pingshuo Company	China Coal Pingshuo Group Company Limited
China Coal Huajin Company	China Coal Huajin Energy Group Limited
China Coal Finance Company	China Coal Finance Co., Ltd.

Definitions

China Coal Shaanxi Company	China Coal Shaanxi Yulin Energy & Chemical Company Limited
Northwest Energy Company	China Coal Northwest Energy Company Limited
Mengda Chemical Company	Inner Mongolia China Coal Mengda New Energy & Chemical Company Limited
Ordos Energy Chemical Company	China Coal Ordos Energy Chemical Company Limited
Panjiayao Company	Shanxi China Coal Panjiayao Company Limited (山西中煤潘家窯煤業有限公司)
CSRC	China Securities Regulatory Commission
HKSE	The Stock Exchange of Hong Kong Limited
SSE	the Shanghai Stock Exchange
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
Shareholder(s)	the shareholder(s) of the Company, including holder(s) of A Shares and holder(s) of H Shares
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
RMB	RMB yuan



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