



**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 **2016**



# Contents

Overview of Key Business Data	2
Overview of Key Financial Data	4
Chairman’s Statement	7
Management Discussion and Analysis of Financial Conditions and Operating Results	9
Business Performance	29
Investor Relations	33
Corporate Governance	35
Disclosure of Major Events	37
Report on Review of Interim Financial Information	46
Interim Condensed Consolidated Balance Sheet	47
Interim Condensed Consolidated Income Statement	49
Interim Condensed Consolidated Statement of Comprehensive Income	50
Interim Condensed Consolidated Statement of Changes in Equity	51
Interim Condensed Consolidated Cash Flow Statement	52
Notes to the Interim Condensed Consolidated Financial Information	54
Company Profile	85
Definitions	87

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

# Overview of Key Business Data

Item	January to June 2016	January to June 2015	Change (%)
<b>I. Coal operations (10 thousand tonnes)</b>			
1. Production volume of commercial coal	<b>4,038</b>	4,627	-12.7
2. Sales volume of commercial coal	<b>6,547</b>	6,412	2.1
Of which: Sales volume of self-produced commercial coal	<b>4,088</b>	4,642	-11.9
<b>II. Coal chemical operations (10 thousand tonnes)</b>			
<b>(I) Olefin</b>			
1. Production volume of polyethylene	<b>18.2</b>	17.8	2.2
Sales volume	<b>18.2</b>	17.3	5.2
2. Production volume of polypropylene	<b>17.2</b>	16.8	2.4
Sales volume	<b>17.9</b>	15.9	12.6
<b>(II) Urea</b>			
1. Production volume	<b>98.3</b>	88.9	10.6
2. Sales volume	<b>115.2</b>	85.0	35.5
<b>(III) Methanol</b>			
1. Production volume	<b>37.7</b>	35.6	5.9
2. Sales volume	<b>27.7</b>	39.0	-29.0
<b>(IV) Coke</b>			
1. Production volume	<b>83.0</b>	96.2	-13.7
2. Sales volume	<b>104.6</b>	109.0	-4.0
Of which: Sales volume of self-produced coke	<b>83.1</b>	96.6	-14.0
<b>III. Coal mining equipment operations</b>			
1. Production value of coal mining equipment (RMB100 million)	<b>17.9</b>	22.5	-20.4
2. Sales volume of coal mining equipment (10 thousand tonnes)	<b>9.3</b>	12.6	-26.2

- Notes:
1. The production and sales volume of olefin do not include the production and sales volume of Mengda Engineering Plastics Project for the trial production.
  2. The methanol sales volume of the Company includes sales of all proprietary methanol products produced by Heilongjiang Coal Chemical Group, a subsidiary of China Coal Group, and has offset the internal self consumption of 116,000 tonnes.
  3. Since June 2016, the production and sales data of coke of China Coal Jiuxin Company and production and sales data of urea of Lingshi Chemical Company were no longer incorporated in the scope of statistics of the Company.

# Overview of Key Business Data

Sales volume of commercial coal (10 thousand tonnes)		January to June 2016	January to June 2015	Change (%)
<b>(I)</b>	<b>Domestic sales of self-produced coal</b>	<b>4,063</b>	4,624	-12.1
	By region:			
	North China	<b>1,113</b>	1,499	-25.8
	East China	<b>2,380</b>	2,304	3.3
	South China	<b>304</b>	748	-59.4
	Others	<b>266</b>	73	264.4
	By coal type:			
	Thermal coal	<b>3,559</b>	4,238	-16.0
	Coking coal	<b>504</b>	386	30.6
<b>(II)</b>	<b>Self-produced coal export</b>	<b>25</b>	18	38.9
	By region:			
	Taiwan, China	<b>25</b>	18	38.9
	By coal type:			
	Thermal coal	<b>25</b>	18	38.9
<b>(III)</b>	<b>Proprietary trading</b>	<b>2,274</b>	1,572	44.7
	Of which:			
	Domestic resale	<b>2,148</b>	1,491	44.1
	Import trading	<b>124</b>	79	57.0
	Self-operated exports	<b>1.8</b>	1.8	0.0
<b>(IV)</b>	<b>Agency sales</b>	<b>185</b>	198	-6.6
	Of which:			
	Import agency	<b>8</b>	2	300.0
	Export agency	<b>126</b>	97	29.9
	Domestic agency	<b>51</b>	99	-48.5
<b>Total</b>		<b>6,547</b>	6,412	2.1
<b>Production value of coal mining equipment (RMB100 million)</b>		<b>January to June 2016</b>	<b>January to June 2015</b>	<b>Change (%)</b>
	Conveyor equipment	<b>7.9</b>	10.3	-23.3
	Support equipment	<b>5.3</b>	5.6	-5.4
	Road header	<b>2.2</b>	1.9	15.8
	Shearer	<b>1.4</b>	2.6	-46.2
	Electric mining motor	<b>1.1</b>	2.1	-47.6
<b>Total</b>		<b>17.9</b>	22.5	-20.4

# Overview of Key Financial Data

## SUMMARY OF CONSOLIDATED BALANCE SHEET

Item	<i>Unit: RMB100 million</i>			
	As at 30 June 2016	As at 31 December 2015	Percentage change (%)	Notes to financial statements
<b>Assets</b>	<b>2,548.55</b>	2,580.26	-1.2	
Of which: Property, plant and equipment	<b>1,288.61</b>	1,288.05	0.0	7
Mining and exploration rights	<b>337.01</b>	328.44	2.6	8
Investment in associates	<b>119.18</b>	112.22	6.2	
Inventories	<b>65.78</b>	68.25	-3.6	11
Trade and notes receivables	<b>130.54</b>	132.69	-1.6	12
Term deposits with initial terms of over 3 months	<b>124.72</b>	184.16	-32.3	
Cash and cash equivalents	<b>143.58</b>	111.96	28.2	
<b>Equity</b>	<b>1,006.58</b>	1,002.82	0.4	
Of which: Equity attributable to the equity holders of the Company	<b>839.42</b>	837.08	0.3	
Non-controlling interests	<b>167.16</b>	165.74	0.9	
<b>Liabilities</b>	<b>1,541.97</b>	1,577.44	-2.2	
Of which: Long-term borrowings (including the portion due within one year)	<b>631.77</b>	644.99	-2.0	16
Long-term bonds (including the portion due within one year)	<b>409.00</b>	408.69	0.1	17
Provision for close down, restoration and environmental costs (including the current portion)	<b>14.01</b>	13.32	5.2	21
Trade and notes payables	<b>211.90</b>	206.66	2.5	19
Short-term borrowings	<b>49.11</b>	56.58	-13.2	16

# Overview of Key Financial Data

## SUMMARY OF CONSOLIDATED INCOME STATEMENT

*Unit: RMB100 million*

Item	For the six months ended 30 June 2016	For the six months ended 30 June 2015	Percentage change (%)	Notes to financial statements
Revenue	263.01	297.47	-11.6	6
Cost of sales	233.04	271.50	-14.2	
Gross profit	29.97	25.97	15.4	
Profit from operations	20.47	5.97	242.9	
Profit/(Loss) before income tax	2.91	-11.70	-124.9	
Profit/(Loss) for the period	5.41	-8.46	-163.9	
Profit/(Loss) attributable to the equity holders of the Company	2.25	-10.72	-121.0	
Basic earnings/(loss) per share attributable to the equity holders of the Company (RMB/Share)	0.02	-0.08	-125.0	26

## SUMMARY OF THE OPERATING RESULTS OF THE SEGMENTS (FOR THE SIX MONTHS ENDED 30 JUNE 2016 AND AS AT 30 JUNE 2016)

*Unit: RMB100 million*

Item	Coal operations	Coal chemical operations	Coal mining equipment operations	Financial operations and other operations	Non-operating segments	Inter-segment Elimination	Total
Revenue	187.00	55.99	19.31	13.43	-	-12.72	263.01
Of which: Revenue from external sales	179.45	55.86	17.77	9.93	-	-	263.01
Profit/(Loss) from operations	0.94	15.42	2.19	3.27	-1.58	0.23	20.47
Profit/(Loss) before income tax	-5.79	10.98	1.81	5.26	-9.56	0.21	2.91
Assets	1,304.97	554.68	179.83	209.79	314.31	-15.03	2,548.55
Liabilities	469.13	251.02	56.50	53.19	727.70	-15.57	1,541.97

# Overview of Key Financial Data

## SUMMARY OF CONSOLIDATED CASH FLOW STATEMENT

*Unit: RMB100 million*

<b>Item</b>	<b>For the six months ended 30 June 2016</b>	<b>For the six months ended 30 June 2015</b>
Net cash generated from operating activities	<b>29.80</b>	3.62
Net cash used in investing activities	<b>42.61</b>	-132.28
Net cash generated from financing activities	<b>-40.82</b>	183.05

## RECONCILIATION OF PROFIT/(LOSS) BEFORE INCOME TAX FOR THE PERIOD TO CASH GENERATED FROM OPERATIONS

*Unit: RMB100 million*

<b>Item</b>	<b>For the six months ended 30 June 2016</b>	<b>For the six months ended 30 June 2015</b>
<b>Profit/(Loss) before income tax</b>	<b>2.91</b>	-11.70
<b>Adjustments for</b>		
Depreciation and amortisation	<b>33.38</b>	34.81
Net (gains)/losses from disposal of property, plant and equipment	<b>0.03</b>	0.15
Provision for impairment of asset	<b>1.08</b>	1.18
Share of profits of associates and jointly controlled entities	<b>-2.81</b>	-1.88
Net losses/(gains) in foreign exchange	<b>0.14</b>	-0.11
Net gains in disposal of subsidiaries	<b>-9.29</b>	-
Gains from loss of significant influence over associates	<b>-</b>	-0.11
Interest and dividend income	<b>-3.34</b>	-2.39
Interest expense	<b>24.23</b>	23.90
Changes in working capital	<b>-11.30</b>	-35.86
Decrease in provision for employee benefits	<b>-0.08</b>	-0.11
Increase/(Decrease) in provision for close down, restoration and environmental costs	<b>0.08</b>	-0.01
<b>Cash generated from operations</b>	<b>35.03</b>	7.87

# Chairman's Statement

**Dear Shareholders,**

I would like to extend my sincere gratitude to all of you for your long-term interest in and support for China Coal Energy. On behalf of the Board, I hereby present the 2016 interim report to all Shareholders.

Since the beginning of 2016, the domestic economy has struggled with heavy downturn pressure and sluggish coal market demand. With the effects of policies implemented by the Chinese government, including actively promoting the supply-side structural reform and expediting to dissolve overcapacity of coal, the coal price gradually recovered. However, the coal market performance was still subdued at low level. The Bohai-Rim Steam-Coal Price Index witnessed a substantial year-on-year decrease, and the pressure of production and operation of coal enterprises was still significant. Against the continual challenging situations, the Company closely focused on the annual operational targets with firm confidence and exerted to overcome numerous difficulties. The Company methodically organised production and sales, firmly enhanced quality and improved efficiency, strengthened budget enforcement, and strictly controlled the costs and expenses. The production and operation proceeded steadily, and the Company maintained an overall smooth safe production. During the reporting period, the Company transitioned from loss to profit and achieved new progress in every operational and management task.

The Company methodically organised coal production and overcame numerous unfavourable factors such as production discontinuity and complicated geological conditions. The Company actively pursued market demand, coordinated production and sales, aggressively seized market opportunities and strived to tap effective production capacity. The Company consistently strengthened coal quality management, implemented coal blending at both mining sites and loading ports, strived to optimise the product mix, and significantly improved the product quality. Keeping a close eye on market changes, the Company timely adjusted sales strategies, explored the non-thermal coal market, expanded the sales of direct arrival coal and coal for local sales, further optimising the market layout. The Company made great efforts to develop coking coal market, and incremental production capacity was effectively released. During the reporting period, the Company achieved commercial coal production volume of 40.38 million tonnes and sales volume of self-produced coal of 40.88 million tonnes, and maintained stable operation of coal production and sales.

The Company enhanced operational management of coal chemical business, deepened technology innovations, focused on eliminating defects of systems, strictly controlled material consumption and energy consumption, and put into full and sound operation of coal chemical facilities safely and stably in a long run. The Company enhanced the coordination among production, transportation and sales of coal chemical products, improved centralised sales mechanism, timely changed marketing strategies, adjusted sales emphasis, thoroughly explored the market, and strived to achieve full-scale production and sales. The production load of the commissioned coal chemical projects of the Company continued to increase. The newly-commissioned Mengda Engineering Plastics Project succeeded in achieving the system-wide operation of facilities in one attempt of trial run with qualified products produced. During the reporting period, the Company produced 354,000 tonnes of polyolefin, representing a year-on-year increase of 2.3%; 983,000 tonnes of urea, representing a year-on-year increase of 10.6%; and 377,000 tonnes of methanol, representing a year-on-year increase of 5.9%. Against the backdrop of supply increase and price decline of chemical products, the Company's coal chemical projects maintained a relatively strong profitability, providing solid support for the operating results of the Company.



# Chairman's Statement

The Company further advanced refined management, implemented strict budget control, enhanced performance assessment, innovated incentive schemes, and continuously raised operating efficiency. With the goal of quality enhancement, cost reduction and efficiency improvement, the Company promoted organisational reform and management innovation, strengthened cost reduction through technology enhancement, cost reduction management and company-wide cost reduction, resulting in effective cost control. During the reporting period, the unit cost of sales of self-produced commercial coal recorded a year-and-year decrease of 15.7% while the unit cost of sales of olefin, urea, methanol decreased year-on-year. The Company expedited the collection of receivables, enhanced destocking, strived to improve operating quality, thus operating cash flow increased significantly year-on-year. The Company enhanced fund raising and financing management so that financing cost was further reduced. The Company actively optimised the utilisation the existing assets, enhanced the disposal of assets which were less relevant to the principal business, and improved the profitability of assets. Adhering to strategic insights, the Company accelerated transitioning and upgrading development. Taking into account the trends of the industry and the progress of the projects, the Company retuned the pace of investment progress, and steadily pushed forward major projects including pit mouth power generation and coal chemical operations.

During the first half of 2016, all employees were united to confront challenges and overcome difficulties, realising profit attributable to equity holders of the Company of RMB225 million, representing a year-and-year increase of RMB1.297 billion, and laying a solid foundation for the Company to realise a turnaround from loss to profit for the whole year.

Currently, the international and domestic economic environments are still complicated and the world economy has not recovered as expected. The domestic economy runs largely stably. However, due to the interaction of structural and cyclical contradictions, there are still many uncertainties. The supply and demand imbalance in the coal market has been relieved to some extent, but overcapacity and weak demand will constrain the speed and space of coal price recovery, and might even give rise to further twists and turns. Looking forward, China's economy will still be the "power source" of the world economy and the long term stable trend of positive development towards growth will remain unchanged. The policy effects will continue to emerge with the implementation of supply-side structural reform and dissolving overcapacity initiated by the Chinese government. The industry policies including pushing forward merger and reorganisation of the coal industry and cultivating large-scale coal conglomerate will also bring new opportunities and upside to increased principal business competitiveness and upgraded development.

In the second half of 2016, we will focus on the annual operational targets, enhance coordination of production and sales, deepen reform and innovation, strengthen risk control, and strive to accomplish various annual tasks. Firstly, we will stabilise production and operation, and continue to enhance the quality and efficiency. Secondly, we will strengthen production and sales coordination, enhance market development, raise marketing capabilities and explore sales channels. Thirdly, we will strengthen cost control, and sustain the competitive advantage of low cost. Fourthly, we will continuously optimise the investment structure, strictly manage and control project investment, and steadily advance the construction of main projects. Fifthly, we will deepen the internal reform, strengthen operation management, and strictly control operational risks. Sixthly, we will strengthen the management and control of site safety, and emphasise safety accountability so as to maintain safety production.

"Despite the hardship of washing and sifting, once the wild sand blows away, real gold will be revealed". The management and all employees will forge ahead, brave all difficulties, strive to win the battle of loss-to-profit transitioning and shaking off the dilemma, and spare no efforts to achieve sustainable and healthy growth of the Company.

Chairman: Li Yanjiang  
Beijing, the PRC  
24 August 2016

# Management Discussion and Analysis of Financial Conditions and Operating Results

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

## I. OVERVIEW

Since the beginning of 2016, through methodically organising coal production, the Group optimised market layout and product mix so that the production and sales of key products reached balance; through strict control on costs and expenses, unit cost of sales of key products recorded a year-on-year decrease; against the backdrop of policy effects such as cutting overcapacity and implementing supply-side structural reform by the Chinese government, coal price stabilised and rebounded; through actively disposing certain assets which were less relevant to the principal business, the Group improved the quality of assets. For the six months ended 30 June 2016, the Group's total revenue (net of inter-segmental sales) amounted to RMB26.301 billion, representing a year-on-year decrease of 11.6%; profit before income tax amounted to RMB291 million, representing an increase of RMB1.461 billion; profit attributable to the equity holders of the Company amounted to RMB225 million, representing a year-on-year increase of RMB1.297 billion; basic earnings per share amounted to RMB0.02, representing a year-on-year increase of RMB0.10; and net cash generated from operating activities per share was RMB0.22, representing a year-on-year increase of RMB0.19.

	For the six months ended 30 June 2016	For the six months ended 30 June 2015	Unit: RMB100 million Increase/decrease	
			Increase/ decrease in amount	Increase/ decrease (%)
Revenue	263.01	297.47	-34.46	-11.6
Profit/(Loss) before income tax	2.91	-11.70	14.61	-124.9
EBITDA	53.86	40.78	13.08	32.1
Profit/(Loss) attributable to the equity holders of the Company	2.25	-10.72	12.97	-121.0
Net cash generated from operating activities	29.80	3.62	26.18	723.2

As at 30 June 2016, the gearing ratio (total interest-bearing debts/(total interest-bearing debts + equity)) of the Group was 52.4%, representing a decrease of 0.6 percentage point from 53.0% at the beginning of 2016.

	As at 30 June 2016	As at 31 December 2015	Unit: RMB100 million Increase/decrease	
			Increase/ decrease in amount	Increase/ decrease in percentage (%)
Assets	2,548.55	2,580.26	-31.71	-1.2
Liabilities	1,541.97	1,577.44	-35.47	-2.2
Interest-bearing debts	1,109.88	1,130.26	-20.38	-1.8
Equity	1,006.58	1,002.82	3.76	0.4
Equity attributable to the equity holders of the Company	839.42	837.08	2.34	0.3

# Management Discussion and Analysis of Financial Conditions and Operating Results

## II. OPERATING RESULTS

### (1) Consolidated Operating Results

#### 1. Revenue

For the six months ended 30 June 2016, the Group's total revenue (net of inter-segmental sales) decreased from RMB29.747 billion for the six months ended 30 June 2015 to RMB26.301 billion, representing a decrease of RMB3.446 billion or 11.6%. Mainly due to the impact from the coal market situation, selling price of the Group's self-produced commercial coal decreased year-on-year. The Group adopted production limitation or stoppage measures for some mines with weaker market competitiveness, which led to a year-on-year decrease of self-produced commercial coal sales volume. The above combining effects resulted in a year-on-year decrease of RMB2.014 billion in revenue from external sales of coal operations. Selling price of coal chemical products decreased year-on-year and revenue from external sales of coal chemical operations recorded a year-on-year decrease of RMB545 million. The sales volume of coal mining equipment decreased year-on-year and revenue from external sales of coal mining equipment operations decreased year-on-year by RMB718 million.

Revenue net of inter-segmental sales from each operating segment of the Group for the six months ended 30 June 2016 and the changes as compared to the same period of 2015 are set out as follows:

*Unit: RMB100 million*

	<b>Revenue net of inter-segmental sales</b>		<b>Increase/decrease</b>	
	<b>For the six months ended 30 June 2016</b>	For the six months ended 30 June 2015	Increase/decrease in amount	Increase/decrease (%)
Coal operations	<b>179.45</b>	199.59	-20.14	-10.1
Coal chemical operations	<b>55.86</b>	61.31	-5.45	-8.9
Coal mining equipment operations	<b>17.77</b>	24.95	-7.18	-28.8
Financial operations and other operations	<b>9.93</b>	11.62	-1.69	-14.5
<b>Total</b>	<b>263.01</b>	297.47	-34.46	-11.6

# Management Discussion and Analysis of Financial Conditions and Operating Results

The proportion of revenue net of inter-segmental sales generated by each operating segment of the Group in the Group's total revenue for the six months ended 30 June 2016 and the changes as compared to the same period of 2015 are set out as follows:

	Proportion of revenue net of inter-segmental sales (%)		
	For the six months ended 30 June 2016	For the six months ended 30 June 2015	Increase/decrease in (percentage point(s))
Coal operations	68.2	67.1	1.1
Coal chemical operations	21.2	20.6	0.6
Coal mining equipment operations	6.8	8.4	-1.6
Financial operations and other operations	3.8	3.9	-0.1

## 2. Cost of sales

For the six months ended 30 June 2016, the Group's cost of sales decreased from RMB27.150 billion for the six months ended 30 June 2015 to RMB23.304 billion, representing a decrease of 14.2%.

Materials used and goods traded costs decreased from RMB11.946 billion for the six months ended 30 June 2015 to RMB11.052 billion, representing a decrease of 7.5%. The cost of sales of coal operations increased year-on-year by RMB561 million, of which the goods traded cost recorded a year-on-year increase of RMB1.165 billion due to the increase in sales volume of proprietary coal trading. Meanwhile the Group further enhanced the management of material consumption quota, the effort to repair the obsolete and utilise the waste, and centralised procurement. Coupled with the fact that the sales volume of self-produced commercial coal decreased year-on-year, the above combined effects led to a year-on-year decrease of RMB604 million in materials used cost of self-produced commercial coal; coal chemical enterprises strictly controlled unit consumption and procurement price of raw materials, resulting in a year-on-year decrease of RMB463 million in the cost of sales of coal chemical operations. The reduction in orders for coal mining equipment operations affected by market conditions led to a year-on-year cost decrease of RMB713 million.

Staff costs decreased from RMB2.123 billion for the six months ended 30 June 2015 to RMB1.874 billion, representing a decrease of 11.7%. The decrease was mainly due to conscientiously implementing the principle of performance-based remunerations by each enterprise, further enhancing controls over gross salaries, strengthening reduction on labour dispatch workforce and diminution on gross manpower required, which led to a year-on-year decrease in staff costs.

# Management Discussion and Analysis of Financial Conditions and Operating Results

Depreciation and amortisation costs decreased from RMB3.183 billion for the six months ended 30 June 2015 to RMB3.085 billion, representing a decrease of 3.1%. The decrease was mainly attributable to the year-on-year decrease in production volume of self-produced commercial coal of the Group, which led to decrease in the depreciation and amortization costs of the coal business based on the production reserve method. Combining with the facts that part of the equipment was used in projects under construction and disposal of certain subsidiaries less relevant to the principal business, the costs of depreciation and amortization decreased year-on-year.

Repairs and maintenance costs increased from RMB312 million for the six months ended 30 June 2015 to RMB382 million, representing an increase of 22.4%. The increase was mainly attributable to the strengthening of routine equipment repair and maintenance by the subordinate enterprises, which led to a year-on-year increase of repairs and maintenance costs.

Transportation costs and port expenses decreased from RMB5.549 billion for the six months ended 30 June 2015 to RMB4.167 billion, representing a decrease of 24.9%. The decrease was mainly due to the year-on-year decrease in sales volume of the Group's seaborne coal, as well as the combining effects from the lowering railway tariff rate and port charges, resulting in a year-on-year decrease of RMB1.312 billion in transportation costs and port expenses for coal operations.

Outsourcing mining engineering fees for coal mines decreased from RMB676 million for the six months ended 30 June 2015 to RMB300 million, representing a decrease of 55.6%. The year-on-year decrease in outsourcing mining engineering fees was mainly due to the reason that all coal producing enterprises further strengthened management of outsourcing business, strictly controlled outsourcing unit price, and reduced year-on-year outsourcing stripping and roadheading volume.

Sales taxes and surcharges decreased from RMB828 million for the six months ended 30 June 2015 to RMB648 million, representing a decrease of 21.7%. The decrease was mainly attributable to a year-on-year decrease in the sales revenue of the Group, which led to a year-on-year reduction of RMB141 million in coal resources tax.

Other costs decreased 29.1% from RMB2.533 billion for the six months ended 30 June 2015 to RMB1.796 billion. The decrease was mainly attributable to the reason that the Group reduced year-on-year other costs, including the productive mining engineering and land requisition compensation expenses.

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

For the six months ended 30 June 2016, gross profit of the Group increased from RMB2.597 billion for the six months ended 30 June 2015 to RMB2.997 billion, representing an increase of 15.4%; and gross profit margin increased from 8.7% for the six months ended 30 June 2015 to 11.4%, representing an increase of 2.7 percentage points.

# Management Discussion and Analysis of Financial Conditions and Operating Results

The gross profit and gross profit margin of each of the Group's operating segments for the six months ended 30 June 2016 and the changes as compared to the same period of 2015 are as follows:

	Gross profit			Gross profit margin (%)		
	For the six months ended	For the six months ended	Increase/decrease (%)	For the six months ended	For the six months ended	Increase/decrease (Percentage point(s))
	30 June 2016	30 June 2015		30 June 2016	30 June 2015	
Coal operations	11.80	3.76	213.8	6.3	1.8	4.5
Self-produced commercial coal	10.73	2.96	262.5	9.3	2.0	7.3
Proprietary coal trading	0.54	0.06	800.0	0.8	0.1	0.7
Coal chemical operations	13.00	16.09	-19.2	23.2	26.2	-3.0
Coal mining equipment operations	3.54	4.53	-21.9	18.3	16.9	1.4
Financial operations and other operations	1.50	1.45	3.4	11.2	9.2	2.0
<b>Group</b>	<b>29.97</b>	<b>25.97</b>	<b>15.4</b>	<b>11.4</b>	<b>8.7</b>	<b>2.7</b>

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

## (2) Operating results of segments

### 1. Coal segment

- Revenue

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

For the six months ended 30 June 2016, the total revenue from coal operations of the Group decreased from RMB20.481 billion for the six months ended 30 June 2015 to RMB18.700 billion, representing a decrease of 8.7%; revenue net of inter-segmental sales decreased from RMB19.959 billion for the six months ended 30 June 2015 to RMB17.945 billion, representing a decrease of 10.1%.

For the six months ended 30 June 2016, revenue from sales of self-produced commercial coal of the Group decreased from RMB14.451 billion for the six months ended 30 June 2015 to RMB11.585 billion, representing a decrease of 19.8%. Revenue net of inter-segmental sales decreased from RMB14.378 billion for the six months ended 30 June 2015 to RMB11.452 billion, representing a decrease of 20.4%; of which, revenue from thermal coal was RMB9.656 billion, representing a year-on-year decrease of RMB2.861 billion; revenue from coking coal was RMB1.796 billion, representing a year-on-year decrease of RMB65 million. For the six months ended 30 June 2016, the Group's weighted average sales price of self-produced commercial coal recorded a year-on-year decrease of RMB30/tonne, reducing sales revenue by RMB1.211 billion; sales of self-produced commercial coal recorded a year-on-year decrease of 5.54 million tonnes, decreasing sales revenue by RMB1.715 billion.

# Management Discussion and Analysis of Financial Conditions and Operating Results

Revenue from sales of proprietary coal trading increased from RMB5.794 billion for the six months ended 30 June 2015 to RMB6.959 billion, representing an increase of 20.1%; revenue net of inter-segmental sales increased from RMB5.357 billion for the six months ended 30 June 2015 to RMB6.348 billion, representing an increase of 18.5%.

Revenue from agency services decreased from RMB6 million for the six months ended 30 June 2015 to RMB5 million, representing a decrease of 16.7%.

The Group's coal sales volume and selling price for the six months ended 30 June 2016 and the changes as compared to the same period of 2015 are set out as follows:

		For the six months ended 30 June 2016		For the six months ended 30 June 2015		Increase/decrease			
		Sales volume	Selling price	Sales volume	Selling price	Increase/decrease in amount		Increase/decrease	
		(10,000 tonnes)	(RMB/tonne)	(10,000 tonnes)	(RMB/tonne)	Sales volume (10,000 tonnes)	Selling price (RMB/tonne)	Sales volume (%)	Selling price (%)
1. Self-produced commercial coal	Total	4,088	280	4,642	310	-554	-30	-11.9	-9.7
	(I) Thermal coal	3,584	269	4,256	294	-672	-25	-15.8	-8.5
	1. Domestic sale	3,559	269	4,238	293	-679	-24	-16.0	-8.2
	2. Export	25	372	18	467	7	-95	38.9	-20.3
	(II) Coking coal	504	356	386	482	118	-126	30.6	-26.1
	1. Domestic sale	504	356	386	482	118	-126	30.6	-26.1
	2. Export	☆	☆	☆	☆	-	-	-	-
2. Proprietary coal Trading	Total	2,274	279	1,572	341	702	-62	44.7	-18.2
	(I) Domestic resale	2,148	278	1,491	335	657	-57	44.1	-17.0
	(II) Self-operated export*	1.8	1,376	1.8	1,700	-	-324	-	-19.1
	(III) Import trading	124	289	79	423	45	-134	57.0	-31.7
3. Agency service★	Total	185	3	198	3	-13	-	-6.6	-
	(I) Import agency	8	6	2	7	6	-1	300.0	-14.3
	(II) Export agency	126	4	97	4	29	-	29.9	-
	(III) Domestic agency	51	1	99	1	-48	-	-48.5	-

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



# Management Discussion and Analysis of Financial Conditions and Operating Results

- *Cost of sales*

For the six months ended 30 June 2016, cost of sales for the Group's coal operations decreased from RMB20.105 billion for the six months ended 30 June 2015 to RMB17.520 billion, representing a decrease of 12.9%. The major cost items and the changes as compared to the same period of 2015 are set out as follows:

*Unit: RMB100 million*

Item	For the six months ended 30 June 2016		For the six months ended 30 June 2015		Increase/decrease	
	Percentage (%)	Amount	Percentage (%)	Amount	Increase/decrease in amount	Increase/decrease (%)
Materials costs (excluding cost of external purchase of raw coal for washing purpose and proprietary coal trading cost)	15.39	8.8	19.93	9.9	-4.54	-22.8
Cost of external purchase of raw coal for washing purpose	1.36	0.8	2.86	1.4	-1.50	-52.4
Proprietary coal trading cost ☆	68.23	38.9	56.58	28.1	11.65	20.6
Staff costs	12.03	6.9	14.52	7.2	-2.49	-17.1
Depreciation and amortisation	19.02	10.9	20.85	10.4	-1.83	-8.8
Repairs and maintenance	2.91	1.7	2.55	1.3	0.36	14.1
Transportation costs and port expenses	36.82	21.0	49.94	24.8	-13.12	-26.3
Outsourcing mining engineering fees	3.00	1.7	6.76	3.4	-3.76	-55.6
Sales taxes and surcharges	5.31	3.0	7.26	3.6	-1.95	-26.9
Other costs ★	11.13	6.3	19.80	9.9	-8.67	-43.8
<b>Total cost of sales for coal operations</b>	<b>175.20</b>	<b>100.0</b>	<b>201.05</b>	<b>100.0</b>	<b>-25.85</b>	<b>-12.9</b>

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

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

For the six months ended 30 June 2016, the Group's cost of sales of self-produced commercial coal was RMB10.512 billion, representing a year-on-year decrease of RMB3.643 billion or 25.7%. The unit cost of sales of self-produced commercial coal was RMB257.15/tonne, representing a year-on-year decrease of RMB47.83/tonne or 15.7%. The cost of sales of proprietary coal trading was RMB6.905 billion, representing a year-on-year increase of RMB1.117 billion or 19.3%. The unit cost of external sales of proprietary coal trading was RMB277.28/tonne, representing a year-on-year decrease of RMB63.84/tonne or 18.7%.



# Management Discussion and Analysis of Financial Conditions and Operating Results

The Group's unit cost of sales of self-produced commercial coal for the six months ended 30 June 2016 and the year-on-year changes are set out as follows:

Item	For the six months ended 30 June 2016		For the six months ended 30 June 2015		Unit: RMB/tonne Increase/decrease	
	Percentage		Percentage		Increase/decrease in amount	Increase/decrease (%)
Materials costs (excluding the cost of external purchase of raw coal for washing purpose)	37.64	14.6	42.94	14.1	-5.30	-12.3
Cost of external purchase of raw coal for washing purpose	3.33	1.3	6.17	2.0	-2.84	-46.0
Staff costs	29.44	11.4	31.29	10.3	-1.85	-5.9
Depreciation and amortisation	46.53	18.1	44.92	14.7	1.61	3.6
Repairs and maintenance	7.13	2.8	5.49	1.8	1.64	29.9
Transportation costs and port expenses	88.08	34.3	104.79	34.4	-16.71	-15.9
Sales taxes and surcharges	12.99	5.1	15.65	5.1	-2.66	-17.0
Outsourcing mining engineering fees	7.34	2.9	14.56	4.8	-7.22	-49.6
Other costs	24.67	9.5	39.17	12.8	-14.50	-37.0
<b>Total unit cost of sales of self-produced commercial coal</b>	<b>257.15</b>	<b>100.0</b>	<b>304.98</b>	<b>100.0</b>	<b>-47.83</b>	<b>-15.7</b>

Unit materials costs decreased year-on-year by RMB5.30/tonne, which was mainly attributable to the reason that the Group reduced the unit price of materials procurement through long term purchasing contracts, raised the proportion of accessories made in China, further improved material requisition, consumption management, and enhanced the effort to repair the obsolete and utilise the waste, which led to a year-on-year decrease of materials costs by RMB454 million.

Unit cost of external purchase of raw coal for washing purpose decreased year-on-year by RMB2.84/tonne. The decrease was mainly attributable to a year-on-year decrease in volume and unit purchase price of externally purchased raw coal for washing purpose, which led to a year-on-year decrease in total cost of external purchase of raw coal for washing purpose by RMB150 million.

Unit staff costs decreased year-on-year by RMB1.85/tonne, which was mainly attributable to conscientiously implementing the principle of performance-based remunerations by the Group, further enhancing controls over gross salaries, strengthening reduction on labour dispatch workforce and diminution gross manpower required, which led to a year-on-year decrease in total staff costs by RMB249 million.

# Management Discussion and Analysis of Financial Conditions and Operating Results

Unit depreciation and amortisation costs increased year-on-year by RMB1.61/tonne, which was mainly attributable to a year-on-year decrease in the Group's commercial coal production volume, which led to a year-on-year increase in unit depreciation and amortisation costs.

Unit repairs and maintenance costs increased year-on-year by RMB1.64/tonne. The increase was mainly attributable to the strengthening of routine repair and maintenance of coal mining equipment by the coal producing subordinate enterprises and a year-on-year decrease in self-produced commercial coal production, which led to a year-on-year increase in unit repairs and maintenance costs.

Unit transportation costs and port expenses decreased year-on-year by RMB16.71/tonne. The decrease was mainly attributable to a year-on-year decrease in the sales of the Group's seaborne coal as well as the lowering railway tariff rate and port charges. The above combined effects led to a year-on-year decrease in transportation costs and port expenses.

Unit sales taxes and surcharges decreased year-on-year by RMB2.66/tonne. The decrease was mainly attributable to the reason that the selling price and sales volume of self-produced commercial coal of the Group decreased year-on-year, which led to a year-on-year decrease of RMB195 million in resource taxes, urban maintenance and construction tax and education surcharge.

Unit outsourcing mining engineering fees decreased year-on-year by RMB7.22/tonne, which was mainly attributable to the reason that all coal producing enterprises further strengthened management of outsourcing business, strictly controlled outsourcing unit price, and reduced year-on-year outsourcing stripping and roadheading volume, resulting in a year-on-year decrease in outsourcing mining engineering fees by RMB376 million.

Unit other costs decreased year-on-year by RMB14.50/tonne, which was mainly attributable to the reason that the coal enterprises of the Group reduced other costs, including the productive mining engineering and land requisition compensation expenses by RMB867 million year-on-year.

- *Gross profit and gross profit margin*

For the six months ended 30 June 2016, gross profit of the Group's coal operations segment increased from RMB376 million for the six months ended 30 June 2015 to RMB1.180 billion, representing an increase of 213.8%; and gross profit margin increased by 4.5 percentage points from 1.8% for the six months ended 30 June 2015 to 6.3%. The increase was mainly attributable to the Group's vigorous efforts in pushing forward cost reduction and efficiency improvement by taking various measures. The degree of decrease in costs of self-produced commercial coal was higher than the degree of decrease in price, resulting in an increase in gross profit and gross profit margin of the coal operations.

# Management Discussion and Analysis of Financial Conditions and Operating Results

## 2. Coal chemical segment

- Revenue

For the six months ended 30 June 2016, the Group's revenue from coal chemical operations decreased from RMB6.133 billion for the six months ended 30 June 2015 to RMB5.599 billion, representing a decrease of 8.7%; revenue net of inter-segmental sales decreased from RMB6.131 billion for the six months ended 30 June 2015 to RMB5.586 billion, representing a decrease of 8.9%; of which revenue from olefin was RMB2.419 billion, representing a year-on-year decrease of RMB147 million; revenue from urea amounted to RMB1.352 billion, representing a decrease of RMB150 million; revenue from methanol amounted to RMB385 million, representing a year-on-year decrease of RMB214 million, which was mainly attributable to the sales of 115,600 tonnes of methanol to other internal chemical companies of the Group for the reporting period, and internal offset revenue of RMB169 million; revenue from coke amounted to RMB715 million, representing a year-on-year decrease of RMB146 million.

The sales volume and selling price of the major chemical products of the Group for the six months ended 30 June 2016 and the year-on-year changes are set out as follows:

	For the six months ended 30 June 2016		For the six months ended 30 June 2015		Increase/decrease			
	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. Olefin	36.1	6,696	33.2	7,728	2.9	-1,032	8.7	-13.4
1. Polyethylene	18.2	7,555	17.3	8,104	0.9	-549	5.2	-6.8
2. Polypropylene	17.9	5,825	15.9	7,318	2.0	-1,493	12.6	-20.4
II. Methanol◆	27.7	1,391	39.0	1,538	-11.3	-147	-29.0	-9.6
III. Urea	115.2	1,173	85.0	1,766	30.2	-593	35.5	-33.6
IV. Coke	104.6	684	109.0	790	-4.4	-106	-4.0	-13.4
1. Self-produced	83.1	656	96.6	780	-13.5	-124	-14.0	-15.9
2. Proprietary trading	21.5	787	12.4	867	9.1	-80	73.4	-9.2

- ◆:
1. Including sales of methanol produced by Heilongjiang Coal Chemical Group, a subsidiary of China Coal Group with 25,700 tonnes for the reporting period and 16,000 tonnes for the same period of 2015.
  2. Internal utilisation has been eliminated.

# Management Discussion and Analysis of Financial Conditions and Operating Results

- *Cost of sales*

For the six months ended 30 June 2016, cost of sales for the Group's coal chemical operations decreased from RMB4.524 billion for the six months ended 30 June 2015 to RMB4.299 billion, representing a decrease of 5.0%. The major cost items and the year-on-year changes are set out as follows:

*Unit: RMB100 million*

Item	For the six months ended 30 June 2016		For the six months ended 30 June 2015		Increase/decrease	
	Percentage	Amount	Percentage	Amount	Increase/decrease in amount	Increase/decrease (%)
Materials used and goods traded costs	49.3	21.18	57.1	25.81	-4.63	-17.9
Staff costs	5.8	2.49	4.6	2.10	0.39	18.6
Depreciation and amortisation	21.1	9.08	17.7	8.03	1.05	13.1
Repairs and maintenance	1.7	0.75	1.7	0.77	-0.02	-2.6
Transportation costs and port expenses	10.6	4.55	11.4	5.14	-0.59	-11.5
Sales taxes and surcharges	2.2	0.96	1.8	0.79	0.17	21.5
Other costs	9.3	3.98	5.7	2.60	1.38	53.1
<b>Total cost of sales for coal chemical operations</b>	<b>100</b>	<b>42.99</b>	<b>100.0</b>	<b>45.24</b>	<b>-2.25</b>	<b>-5.0</b>

The Group's unit cost of sales of the major chemical products of the Group for the six months ended 30 June 2016 and the year-on-year changes are set out as follows:

Item	Cost of sales (RMB100 million)			Unit cost of sales (RMB/tonne)		
	For the six months ended 30 June 2016	For the six months ended 30 June 2015	Increase/decrease in amount	For the six months ended 30 June 2016	For the six months ended 30 June 2015	Increase/decrease in amount
Olefin	15.30	14.64	0.66	4,235.82	4,409.46	-173.64
Methanol	3.11	5.15	-2.04	1,122.89	1,323.01	-200.12
Urea	10.45	9.82	0.63	907.03	1,154.32	-247.29
Coke	7.17	9.03	-1.86	685.38	828.45	-143.07

# Management Discussion and Analysis of Financial Conditions and Operating Results

For the six months ended 30 June 2016, the Group's cost of sales of olefin was RMB1.530 billion, representing a year-on-year increase of RMB66 million. Cost of sales of urea was RMB1.045 billion, representing a year-on-year increase of RMB63 million, mainly due to a year-on-year increase in sales volume of olefin and urea. Cost of sales of methanol was RMB311 million, representing a year-on-year decrease of RMB204 million, mainly due to the offsetting of cost of sales of RMB117 million by internal sales. Cost of sales of coke was RMB717 million, representing a year-on-year decrease of RMB186 million.

For the six months ended 30 June 2016, the Group strictly controlled the unit consumption and both purchasing price of raw materials and unit cost of sales of chemical products of the Group decreased year-on-year, of which unit cost of sales of olefin decreased year-on-year by RMB173.64/tonne; unit cost of sales of urea decreased year-on-year by RMB247.29/tonne; unit cost of sales of methanol decreased year-on-year by RMB200.12/tonne, unit cost of sales of coke decreased year-on-year by RMB143.07/tonne.

- *Gross profit and gross profit margin*

For the six months ended 30 June 2016, the gross profit of the Group's coal chemical operations decreased by RMB309 million from RMB1.609 billion for the six months ended 30 June 2015 to RMB1.300 billion, and the gross profit margin decreased from 26.2% for the six months ended 30 June 2015 to 23.2%, representing a decrease of 3.0 percentage points. This was mainly due to different degrees of decrease in sales prices of major chemical products of the Group. However, the decrease in gross profit margin was under effective control as the Company strengthened the cost control.

### 3. *Coal mining equipment segment*

- *Revenue*

For the six months ended 30 June 2016, the Group's revenue from the coal mining equipment operations decreased from RMB2.676 billion for the six months ended 30 June 2015 to RMB1.931 billion, representing a decrease of 27.8%, of which the revenue net of inter-segmental sales decreased from RMB2.495 billion for the six months ended 30 June 2015 to RMB1.777 billion, representing a decrease of 28.8%. This was mainly due to the year-on-year decrease in sales volume of major coal mining equipment affected by the market condition.

# Management Discussion and Analysis of Financial Conditions and Operating Results

- *Cost of sales*

For the six months ended 30 June 2016, the Company's cost of sales for the coal mining equipment operations decreased from RMB2.223 billion for the six months ended 30 June 2015 to RMB1.577 billion, representing a decrease of 29.1%. The major cost items and the year-on-year changes are set out as follows:

Item	<i>Unit: RMB100 million</i>					
	For the six months ended 30 June 2016		For the six months ended 30 June 2015		Increase/decrease	
	Percentage		Percentage		Increase/decrease in amount	Increase/decrease (%)
Materials used and goods traded costs	9.23	58.5	16.36	73.6	-7.13	-43.6
Staff costs	2.62	16.6	2.69	12.1	-0.07	-2.6
Depreciation and amortisation	1.52	9.6	1.45	6.5	0.07	4.8
Repairs and maintenance	0.24	1.5	0.17	0.8	0.07	41.2
Transportation costs	0.29	1.8	0.35	1.6	-0.06	-17.1
Sales taxes and surcharges	0.12	0.8	0.13	0.6	-0.01	-7.7
Other costs	1.75	11.2	1.08	4.8	0.67	62.0
<b>Total cost of sales for coal mining equipment operations</b>	<b>15.77</b>	<b>100.0</b>	<b>22.23</b>	<b>100.0</b>	<b>-6.46</b>	<b>-29.1</b>

- *Gross profit and gross profit margin*

For the six months ended 30 June 2016, the gross profit of the Group's coal mining equipment operations segment decreased from RMB453 million for the six months ended 30 June 2015 to RMB354 million, representing a decrease of 21.9%; and the gross profit margin increased from 16.9% for the six months ended 30 June 2015 to 18.3%, representing an increase of 1.4 percentage point.

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

The Group's financial and other operating segments mainly include Finance Company, thermal power generation and other operations. For the six months ended 30 June 2016, the Group's total revenue from financial operation and other operations decreased from RMB1.574 billion for the six months ended 30 June 2015 to RMB1.343 billion, representing a decrease of 14.7%, of which the revenue net of inter-segmental sales decreased from RMB1.162 billion for the six months ended 30 June 2015 to RMB993 million, representing a decrease of 14.5%. Cost of sales decreased from RMB1.429 billion for the six months ended 30 June 2015 to RMB1.193 billion, representing a decrease of 16.5%. Gross profit increased by 3.4% from RMB145 million for the six months ended 30 June 2015 to RMB150 million, and gross profit margin increased from 9.2% for the six months ended 30 June 2015 to 11.2%, representing an increase of 2.0 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 2016, the Group's selling, general and administrative expenses decreased from RMB2.096 billion for the six months ended 30 June 2015 to RMB1.950 billion, representing a decrease of 7.0%.

## (4) Other net gains

For the six months ended 30 June 2016, the other net gains of the Group increased from RMB87 million for the six months ended 30 June 2015 to RMB994 million, representing an increase of RMB907 million. This was mainly attributable to the active disposal of assets less relevant to principal business by the Group, leading to the other recognised gains of RMB929 million.

## (5) Profit from operations

For the six months ended 30 June 2016, the Group's profit from operations increased from RMB597 million for the six months ended 30 June 2015 to RMB2.047 billion, representing an increase of RMB1.450 billion. Profits from operations for major operating segments and the year-on-year changes are as follows:

Item	For the six months ended 30 June 2016	For the six months ended 30 June 2015	Unit: RMB100 million	
			Increase/ decrease in amount	Increase/ decrease (%)
The Group	20.47	5.97	14.50	242.9
Of which: Coal operations	0.94	-7.20	8.14	-113.1
Coal chemical operations	15.42	14.07	1.35	9.6
Coal mining equipment operations	2.19	0.85	1.34	157.6
Finance operations and other operations	3.27	-0.36	3.63	-1,008.3

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

## (6) Finance income and finance costs

For the six months ended 30 June 2016, the Group's net finance costs increased from RMB1.955 billion for the six months ended 30 June 2015 to RMB2.038 billion, representing an increase of RMB83 million, among which interest expenses was RMB2.423 billion, representing a year-on-year increase of RMB33 million. Interest income was RMB404 million, representing a year-on-year decrease of RMB26 million. Foreign exchange net losses reached RMB14 million, as compared with a foreign exchange net gains of RMB11 million in the same period of 2015, which resulted in a year-on-year increase of finance costs by RMB25 million.



# Management Discussion and Analysis of Financial Conditions and Operating Results

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

For the six months ended 30 June 2016, the Group's share of profits of associates and joint ventures increased from RMB188 million for the six months ended 30 June 2015 to RMB281 million, representing an increase of 49.5%. This was mainly attributable to a year-on-year increase of RMB93 million in the Group's share of profits of associates and joint ventures recognised in proportion to its shareholding resulting from the increase in profits by using the equity method of accounting for investees of the Group, including coal chemical, power plants and terminals during the reporting period.

## (8) Profit before income tax

For the six months ended 30 June 2016, the profit of the Group before income tax increased from RMB-1.170 billion to RMB291 million, representing an increase of RMB1.461 billion.

## (9) Income tax credit

For the six months ended 30 June 2016, the Group's income tax credit decreased from RMB324 million for the six months ended 30 June 2015 to RMB250 million, representing a decrease of RMB74 million.

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

For the six months ended 30 June 2016, profit attributable to equity holders of the Company increased from RMB-1.072 billion for the six months ended 30 June 2015 to RMB225 million, representing an increase of RMB1.297 billion.

## III. CASH FLOW

As at 30 June 2016, the balance of the Group's cash and cash equivalents amounted to RMB14.358 billion, representing a net increase of RMB3.162 billion as compared to that as at 31 December 2015.

Net cash generated from operating activities increased by RMB2.618 billion from RMB362 million for the six months ended 30 June 2015 to RMB2.980 billion, which was mainly attributable to the reason that the Group significantly improved the operational results and enhanced collection of trade receivables, reduced working capital used, which led to the dramatic year-on-year increase of net cash generated from operating activities.

Net cash generated from investing activities increased by RMB17.489 billion from RMB-13.228 billion for the six months ended 30 June 2015 to RMB4.261 billion, which was mainly attributable to the reason that the movement of balance of fixed term deposits with initial terms exceeding three months of the Group led to a year-on-year increase of RMB12.127 billion in cash inflow (net inflow for the reporting period amounted to RMB5.944 billion, while net outflow for the same period of 2015 amounted to RMB6.183 billion), as well as the year-on-year decrease of RMB1.732 billion in cash paid for capex such as project construction, long-term assets purchase and equity investment, etc.. In addition, the receipt of equity and asset transfer proceeds and due loan recovery led to a year-on-year increase in cash inflow.

Net cash generated from financing activities decreased by RMB22.387 billion from RMB18.305 billion for the six months ended 30 June 2015 to RMB-4.082 billion. This was mainly attributable to the reason that the Group exercised strict control on the scale of liability for the reporting period, which led to a year-on-year decrease of RMB11.675 billion in cash received from borrowings. During the reporting period, the Group did not issue bonds, which led to a year-on-year decrease of RMB9.976 billion in cash received from issuance of bonds.



# Management Discussion and Analysis of Financial Conditions and Operating Results

## IV. SOURCES OF CAPITAL

For the six months ended 30 June 2016, the Group's funds were mainly derived from the net proceeds generated from business operation and debt financing. The Group's funds were mainly used for investments in production facilities and equipment for coal, coal chemical and coal mining equipment operations, repayment of debts payable by the Group, and the Group's working capital and general recurring expenditures.

The cash generated from the Group's operation, net proceeds raised from capital markets and relevant banking facilities obtained will provide sufficient capital funds for future production and operating activities as well as project construction.

## V. ASSETS AND LIABILITIES

### (1) Property, plant and equipment

As at 30 June 2016, the net value of property, plant and equipment of the Group amounted to RMB128.861 billion, representing a net increase of RMB56 million or 0.04% as compared to RMB128.805 billion as at 31 December 2015.

### (2) Mining and exploration rights

As at 30 June 2016, the net value of the Group's mining and exploration rights amounted to RMB33.701 billion, representing an increase of RMB857 million or 2.6% as compared to RMB32.844 billion as at 31 December 2015, mainly due to obtaining exploration rights permit for Shaanxi Company Dahaize Coal Mine for the reporting period. The prepayments for mining rights of RMB1.000 billion were adjusted for calculation to mining and exploration rights from non-current assets.

### (3) Investments in associates

As at 30 June 2016, the net value of the Group's investments in associates amounted to RMB11.918 billion, representing an increase of RMB696 million or 6.2% as compared to RMB11.222 billion as at 31 December 2015. This was mainly attributable to the capital increase of RMB613 million in Zhongtian Synergetic Company in proportion to the Group's shareholdings for the reporting period.

### (4) Trade and notes receivables

As at 30 June 2016, the net amount of the Group's trade and notes receivables was RMB13.054 billion, representing a decrease of RMB215 million or 1.6% as compared to RMB13.269 billion as at 31 December 2015. This was mainly due to the fact that Group captured the favourable opportunities of the stabilised coal market, and expedited the collection of trade receivables.

### (5) Prepayments and other receivables

As at 30 June 2016, the net value of the Group's prepayments and other receivables amounted to RMB8.111 billion, representing a net decrease of RMB1.616 billion or 16.6% as compared to RMB9.727 billion as at 31 December 2015. This was mainly due to the fact that the Group recovered entrusted loans of RMB1.650 billion, the equity and asset transfer proceeds for the reporting period.

# Management Discussion and Analysis of Financial Conditions and Operating Results

## (6) Borrowings

As at 30 June 2016, the balance of borrowings of the Group amounted to RMB68.088 billion, representing a net decrease of RMB2.069 billion or 2.9% as compared to RMB70.157 billion as at 31 December 2015. This was mainly attributable to the fact that subordinate enterprises of the Group repaid the expired bank borrowings, of which the balance of long-term borrowings (including the portion due within one year) was RMB63.177 billion, representing a net decrease of RMB1.322 billion as compared to RMB64.499 billion as at 31 December 2015; and the balance of short-term borrowings was RMB4.911 billion, representing a net decrease of RMB747 million as compared to RMB5.658 billion as at 31 December 2015.

## (7) Long-term bonds

As at 30 June 2016, the balance of long-term bonds of the Group (including the portion due within one year) amounted to RMB40.900 billion, representing a net increase of RMB31 million as compared to RMB40.869 billion as at 31 December 2015, mainly due to amortisation of medium-term notes based on the real interest method.

## VI. SIGNIFICANT CHARGE OF ASSETS

The Group did not have significant charge of assets during the reporting period. As at 30 June 2016, the book value of the Group's charge of assets amounted to RMB10.300 billion, among which the book value of pledged assets was RMB503 million and the book value of mortgaged assets was RMB9.797 billion.

## VII. SIGNIFICANT INVESTMENT

Save as disclosed in this report, the Group did not hold any significant investment or have any future plan for material investment or capital asset during the reporting period.

## VIII. MATERIAL ACQUISITIONS AND DISPOSALS

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

## IX. RISKS OF EXCHANGE RATE

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

## X. RISKS OF COMMODITY VALUE

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

## XI. INDUSTRY RISKS

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

# Management Discussion and Analysis of Financial Conditions and Operating Results

## XII. CONTINGENT LIABILITIES

### (1) Bank guarantees

As at 30 June 2016, the Group provided guarantees for a total amount of RMB22.835 billion, of which guarantees of RMB14.686 billion were provided to the equity investment entities in proportion to the Group's shareholdings. The details are set out below:

*Unit: RMB10 thousand*

Guarantor	Relationship between guarantor and listed company	Guarantee	The Company's external guarantees (excluding guarantees for controlling subsidiaries)								Counter guarantee available or not	Provided to the related party or not	Related party relationship
			Guaranteed amount	Date of execution of guarantee (the date of signing agreement)	Commencement date of guarantee	Expiry date of guarantee	Type of the guarantee	Completed or not	Overdue or not	Overdue amount			
China Coal Energy Company Limited	Company headquarters	Shanxi Pingshuo Gangue-fired Power Generation Company Limited	4,350	19 December 2008	19 December 2008	18 December 2020	Joint and several liability guarantee	No	No	-	Yes	No	-
China Coal Energy Company Limited	Company headquarters	Shanxi Pingshuo Gangue-fired Power Generation Company Limited	3,180	24 December 2008	24 December 2008	23 December 2020	Joint and several liability guarantee	No	No	-	Yes	No	-
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	5,925	28 March 2008	28 March 2008	20 December 2022	Joint and several liability guarantee	No	No	-	No	No	-
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	28,075.5	28 March 2008	28 March 2008	20 December 2023	Joint and several liability guarantee	No	No	No	No	-	-
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	9,981.1	28 March 2008	28 March 2008	20 December 2023	Joint and several liability guarantee	No	No	-	No	No	-
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	5,750	21 November 2012	21 November 2012	20 November 2027	Joint and several liability guarantee	No	No	-	No	No	-
China Coal Energy Company Limited	Company headquarters	Taiyuan Coal Gasification Longquan Energy Development Company Limited	44,500	29 October 2012	29 October 2012	31 January 2021	Joint and several liability guarantee	No	No	-	No	No	-
China Coal Energy Company Limited	Company headquarters	Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited	405,927.16	28 April 2013	28 April 2013	28 April 2025	Joint and several liability guarantee	No	No	-	Yes	No	-
China Coal Energy Company Limited	Company headquarters	Zhong Tian He Chuang Energy Company Limited	937,506.38	25 May 2016	25 May 2016	as per agreement	Joint and several liability guarantee	No	No	-	No	No	-
Shanghai Datun Energy Resources Company Limited	Subsidiary	Fengpei Railway Company Limited	869.2	21 November 2013	21 November 2013	20 April 2024	Joint and several liability guarantee	No	No	-	Yes	No	-
China Coal Shaanxi Yulin Energy & Chemical Company Limited	Subsidiary	Yan'an Hecaogou Coal Company Limited	12,500	25 November 2015	29 November 2015	1 September 2025	Joint and several liability guarantee	No	No	-	Yes	No	-
China Coal Shaanxi Yulin Energy & Chemical Company Limited	Subsidiary	Yan'an Hecaogou Coal Company Limited	5,000	28 December 2015	30 December 2015	30 December 2018	Joint and several liability guarantee	No	No	-	Yes	No	-
China Coal Shaanxi Yulin Energy & Chemical Company Limited	Subsidiary	Yan'an Hecaogou Coal Company Limited	2,500	21 January 2016	27 January 2016	26 January 2019	Joint and several liability guarantee	No	No	-	Yes	No	-
China Coal Shaanxi Yulin Energy & Chemical Company Limited	Subsidiary	Yan'an Hecaogou Coal Company Limited	2,499	21 January 2016	27 January 2016	27 July 2018	Joint and several liability guarantee	No	No	-	Yes	No	-
Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)												884,108.44	
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)												1,468,563.34	
<b>Guarantee provided by the Company to its subsidiaries</b>													
Total guarantee to subsidiaries incurred during the reporting period												-41,886.22	
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)												814,959.08	
<b>Total guarantee of the Company (including those to subsidiaries)</b>													
Total guarantee (A+B)												2,283,522.42	
Percentage of total guarantee to net assets of the Company (%)												27.2	
Of which:													
Amount of guarantee provided to shareholders, de facto controllers and their related parties (C)												-	
Balance of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio of over 70% (D)												522,657.76	
Excess amount of total guarantee over 50% of net assets (E)												-	
Total amount of the above three categories (C+D+E)												522,657.76	

# Management Discussion and Analysis of Financial Conditions and Operating Results

## (2) Environmental protection responsibilities

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 2016, 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.

## XIII. ANALYSIS OF PRINCIPAL SUBSIDIARIES AND EQUITY INVESTMENT COMPANIES

### (1) Operation and result of principal subsidiaries

*Unit: RMB100 million*

Company name	Nature of business	Principal products or services	Registered Capital	Total assets	Net assets attributable to the equity holders of the Company	Revenue	Net profit attributable to the equity holders of the Company
China Coal Pingshuo Group Company Limited	Coal production	Coal	208.46	634.60	255.88	62.12	-11.07
Shanghai Datun Energy Resources Company Limited	Coal production	Coal, electric power production, etc.	7.23	142.92	82.95	23.63	3.17
Shanxi China Coal Huajin Energy Company Limited	Coal production	Coal, electric power production, etc.	53.53	139.89	59.77	17.90	2.01
China Coal Shaanxi Yulin Energy & Chemical Company Limited	Chemical products production	Olefin	93.69	255.95	100.99	25.53	6.12

# Management Discussion and Analysis of Financial Conditions and Operating Results

## (2) Operation and result of principal equity investment companies

*Unit: RMB100 million*

Company name	Nature of business	Share-holding (%)	Registered capital	Total assets	Revenue	Net profit attributable to the equity holders of the Company
Hebei Sinocoal Risun Coking Company	Coke production	45.0	1.00	41.86	21.51	0.66
Zhejiang Zheneng China Coal Zhoushan Coal & Electricity Company Limited	Coal wholesale operation, electric power production, etc.	27.0	25.00	101.65	14.82	2.09
Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited	Coal chemical products production	30.0	70.00	262.59	47.17	5.26

# Business Performance

## I. COAL OPERATIONS

In the first half of 2016, the macroeconomy still suffered from heavy downward pressure, and coal demand was continually sluggish. With the effects of promotion of the supply-side structural reform and the accelerated implementation of dissolving overcapacity of coal by the Chinese government, the problem of imbalance between supply and demand in the coal market was relieved to some extent, and hence the coal price in the second quarter moderately rebounded. The Company strived to overcome various unfavourable factors, carefully and flexibly organised production, made full use of effective production capacity, and adopted production limitation or stoppage measures for some mines with weaker market competitiveness. The Company accelerated the progress of land requisition and village relocation, carefully arranged production continuity, inspection and maintenance of equipment, optimised labour scheduling, raised unit output and unit roadheading level, and realised superior and efficient production. The Company strengthened quality control of coal, achieved coal quality-based separate mining, shipping and utilisation at mining site, optimised coal preparation techniques, developed marketable products to meet the diverse needs of customers, and strived to improve quality and efficiency. During the reporting period, the production volume of commercial coal reached 40.38 million tonnes (thermal coal production volume was 35.26 million tonnes and coking coal 5.12 million tonnes), representing a year-on-year decrease of 5.89 million tonnes or 12.7%, of which Pingshuo Company recorded a commercial coal production volume of 25.78 million tonnes, representing a year-on-year decrease of 19.1%.

Through enhancing robust marketing analysis and study, the Company closely followed the market trend, and timely adjusted the coal marketing strategies. Through improving meticulous management of marketing, the Company met the demand of customers precisely. While consolidating the traditional market, the Company spared no efforts to expand the sales channel and optimised the customer portfolio and the market layout. The Company actively pursued the non-thermal coal market, and expanded the presence in cement and other sectors. The Company actively developed the coking coal market, thus the sales volume of coking coal recorded a significant increase. To maximise profit and satisfy customised demand, the Company vigorously promoted coal blending, developed coal blending techniques to tackle breakthroughs, and enhanced the product quality so as to ramp up the sales of self-produced coal. Fully leveraging on the favourable opportunities of the decrease in railway freight and port charges, the Company optimised railway logistics flow arrangement, and reduced the overall logistics cost. During the reporting period, coal sales of the Company generally remained stable and smooth. The effect of coal destocking was significant, and the Company recorded commercial coal sales volume of 65.47 million tonnes, representing a year-on-year increase of 2.1%. However, affected by the decrease in production volume of self-produced commercial coal, the Company recorded a year-on-year decrease of 11.9% in the sales volume of self-produced commercial coal, of which Pingshuo Company's sales volume of self-produced commercial coal amounted to 26.75 million tonnes, representing a year-on-year decrease of 19.0%.

# Business Performance

Sales volume of commercial coal (10 thousand tonnes)		January to June 2016	January to June 2015	Change (%)
<b>(I)</b>	<b>Domestic sales of self-produced coal</b>	<b>4,063</b>	4,624	-12.1
	By region:			
	North China	<b>1,113</b>	1,499	-25.8
	East China	<b>2,380</b>	2,304	3.3
	South China	<b>304</b>	748	-59.4
	Others	<b>266</b>	73	264.4
	By coal type:			
	Thermal coal	<b>3,559</b>	4,238	-16.0
	Coking coal	<b>504</b>	386	30.6
<b>(II)</b>	<b>Self-produced coal export</b>	<b>25</b>	18	38.9
	By region:			
	Taiwan, China	<b>25</b>	18	38.9
	By coal type:			
	Thermal coal	<b>25</b>	18	38.9
<b>(III)</b>	<b>Proprietary trading</b>	<b>2,274</b>	1,572	44.7
	Of which:			
	Domestic resale	<b>2,148</b>	1,491	44.1
	Import trading	<b>124</b>	79	57.0
	Self-operated exports	<b>1.8</b>	1.8	0.0
<b>(IV)</b>	<b>Agency sales</b>	<b>185</b>	198	-6.6
	Of which:			
	Import agency	<b>8</b>	2	300.0
	Export agency	<b>126</b>	97	29.9
	Domestic agency	<b>51</b>	99	-48.5
		<hr/>	<hr/>	<hr/>
	Total	<b>6,547</b>	6,412	2.1
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## II. COAL CHEMICAL OPERATIONS

During the first half of 2016, the Company strengthened coal chemical production management, optimised production techniques, enhanced the quality management and control, strictly controlled unit consumption, and made reasonable arrangement for system inspection and maintenance. The coal chemical production and operation remained stable, and the production load increased steadily, achieving the status of industry cost leadership. The Company coordinated and organised the sales of coal chemical products. Pursuing the concept of “being market-oriented and focusing on optimising efficiency”, the Company constantly improved marketing network, carefully built up regional market footprint, strived to control logistics cost, continued to expand the scope of product sales, and controlled the stock level of main products within reasonable limits, so as to bring a smoother coordination between production and sales. Despite the unfavourable domestic market condition of dramatic declining price of major coal chemical products, the coal chemical segment of the Company still managed to achieve reasonably good profitability, providing solid support to the Company’s operating results.

# Business Performance

During the reporting period, the accumulated production volume of polyolefin in Yulin Olefin Project of the Company reached 354 thousand tonnes, representing a year-on-year increase of 2.3%; the sales volume reached 361 thousand tonnes, representing a year-on-year increase of 8.7%. Tuke Fertiliser Project recorded accumulated production volume of granular urea of 864 thousand tonnes, representing a year-on-year increase of 9.6%; the sales volume reached 1.028 million tonnes, representing a year-on-year increase of 23.7%. Mengda Methanol Project achieved accumulated production volume of methanol of 294 thousand tonnes, representing a year-on-year increase of 5.4%; the sales volume reached 300 thousand tonnes, representing a year-on-year increase of 0.7%. In addition, Mengda Engineering Plastics Project entered into the stage of trial production at the end of April and realised stable operation. During the reporting period, Mengda Engineering Plastics Project achieved accumulated production volume of polyolefin of 120 thousand tonnes, and its product entered into the market successfully.

China Coal and Coke Holdings Limited, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Import and Export Company, a wholly-owned subsidiary of China Coal Group, for the transfer of 91% equity interest in Lingshi Chinacoal Jiuxin Coking Co., Ltd. and 100% equity interest in Lingshi Chinacoal Chemical Co., Ltd. to Import and Export Company. Since June 2016, the coke and urea production and sales data of the abovementioned transferred companies were no longer incorporated in the scope of statistics of the Company.

<b>Production and sales volume of coal chemical products (10 thousand tonnes)</b>		<b>January to June 2016</b>	January to June 2015	Change (%)
<b>(I) Olefin</b>				
1.	Polyethylene: Production volume	<b>18.2</b>	17.8	2.2
	Sales volume	<b>18.2</b>	17.3	5.2
2.	Polypropylene: Production volume	<b>17.2</b>	16.8	2.4
	Sales volume	<b>17.9</b>	15.9	12.6
<b>(II) Urea</b>				
1.	Production volume	<b>98.3</b>	88.9	10.6
2.	Sales volume	<b>115.2</b>	85.0	35.5
<b>(III) Methanol</b>				
1.	Production volume	<b>37.7</b>	35.6	5.9
2.	Sales volume	<b>27.7</b>	39.0	-29.0
<b>(IV) Coke</b>				
1.	Production volume	<b>83.0</b>	96.2	-13.7
2.	Sales volume	<b>104.6</b>	109.0	-4.0
	Of which: Sales volume of self-produced coke	<b>83.1</b>	96.6	-14.0

- Notes:
1. The production and sales volume of olefin does not include the production and sales volume of Mengda Engineering Plastics Project for the trial production.
  2. The methanol sales volume of the Company includes sales of all proprietary methanol products produced by Heilongjiang Coal Chemical Group, a subsidiary of China Coal Group, and has offset the internal self consumption of 116,000 tonnes.



# Business Performance

## III. COAL MINING EQUIPMENT OPERATIONS

Against the unfavourable backdrop of slack demand, shrinking orders and escalating rampant competitions, the Company strengthened the production scheduling and operation management, accelerated the adjustment of product mix and technology upgrade, enhanced the product quality and service quality, strived to explore the market, and actively seized orders so as to proactively respond to the operating pressure. During the reporting period, the Company recorded production value of coal mining equipment of RMB1.79 billion, representing a year-on-year decrease of 20.4%; the total production volume of coal mining equipment reached 111 thousand tonnes, basically remaining stable as compared to the same period of 2015, of which 3,388 units (sets) were major coal mining equipment.

Coal mining equipment	Production value (RMB100 million)			Sales revenue (RMB100 million)	
	January to June 2016	January to June 2015	Change (%)	January to June 2016	Percentage of operating revenue of the coal mining equipment segment (%)
Conveyor equipment	7.9	10.3	-23.3	2.9	15.0
Support equipment	5.3	5.6	-5.4	3.6	18.7
Road header	2.2	1.9	15.8	0.4	2.1
Shearer	1.4	2.6	-46.2	0.9	4.7
Electric mining motor	1.1	2.1	-47.6	0.8	4.1
<b>Total</b>	<b>17.9</b>	<b>22.5</b>	<b>-20.4</b>	<b>19.3</b>	<b>—</b>

- Notes:
1. The revenue of the products in the table represents the sales revenue of the coal mining equipment segment before elimination.
  2. The total sales revenue of RMB1.923 billion included revenues generated from accessories, services and trading.

## IV. PROGRESS OF OPERATING PLANS

During the first half of 2016, witnessing the challenging market environment, the Company focused on the annual production and operation targets, methodically organised production, strengthened the coordination between production and sales, optimised product mix, and enhanced the product quality. The production and operation conditions of the Company grew in stability. During the reporting period, the Company achieved the profit attributable to equity holders of the Company of RMB225 million, realised a turnaround from the loss to profit. The Company recorded commercial coal production volume of 40.38 million tonnes, self-produced commercial coal sales volume of 40.88 million tonnes, realised operating revenue of RMB26.301 billion and hence the first half year plan was successfully completed. The Company firmly pushed forward cost reduction and efficiency improvement, enhanced cost and expense control, stringently controlled non-production expenses, and the unit cost of sales of self-produced commercial coal decreased year-on-year by 15.7%.

# Investor Relations

In the first half of 2016, under the principle of “openness, fairness and impartiality”, and with an aim of strengthening the maintenance of investor relations and enhancing corporate governance, China Coal Energy kept frank and sufficient communications with its domestic and overseas investors as well as industry analysts through various channels including presentations of results, non-deal road-shows, investment forums, routine visits and telephone conferences, and held 72 investor meetings of various kinds with 479 attendees in total. These activities included 9 presentations of results and road-show meetings with 170 attendees, 47 day-to day receptions of investor visits and telephone conferences with 168 participants and attendees, and 7 forums organised by domestic and overseas securities firms with 16 meetings and 141 attendees.

## **1. HOLDING PRESENTATION OF RESULTS AND RESULTS ROAD-SHOWS, AND ACHIEVING SUFFICIENT COMMUNICATION WITH CAPITAL MARKET**

The Company’s management attended the presentations of 2015 H Shares annual results in person, delivered a detailed briefing about the latest business results of the Company to the media and coal industry analysts, patiently answered the questions raised by investors, and achieved positive effects of communication. After the presentation of results, the Company held non-deal road-shows, visited important shareholders and potential institutional investors, discussed with them on key issues including the domestic macro economy and the trend of coal industry, which helped to deepen the investors’ understanding towards the Company. The Company adhered to hold routine telephone briefing of quarterly report after the 2016 A Shares first quarterly report was released, introduced the Company’s production and operation situations in the first quarter of 2016 to online investors at home and aboard, and timely responded to their main concerns.

## **2. ATTACHING GREAT IMPORTANCE TO COMMUNICATIONS WITH INSTITUTIONAL INVESTORS, AND ESTABLISHING SMOOTH COMMUNICATION CHANNEL**

The Company adhered to the practice of receiving investors on every Tuesday and Thursday, arranged the reception of investor visits, answered visitors’ queries earnestly and candidly, carefully explained the operation situation, development prospects and future plans of the Company, greatly enhancing the understanding of capital market towards the Company. The Company actively participated in various investment forums held by investment banks and securities companies at home and abroad, communicated with investors with respect to, among others, the macroeconomic trend, industry outlook and corporate operational fundamentals in a timely and efficient way.

## **3. ORGANISING REVERSE ROAD-SHOW AND STRENGTHENING INVESTMENT CONFIDENCE OF INVESTORS**

The Company organized important shareholder to visit Shanxi Pingshuo coal production base and coal chemical projects in Inner Mongolia-Shaanxi base, demonstrated the achievements that the Company had made promptly in response to the profound adjustments, transformations and upgradings in the coal industry. Through interactions, communications and field researches, the Company strengthened the understanding of important shareholder towards the production and operation aspect of China Coal Energy’s coal production and coal chemical projects, further solidifying their confidence of investing in the Company.

# Investor Relations

## **4. FOCUSING ON THE COLLECTION OF MARKET OPINIONS AND SUGGESTIONS, AND PROVIDING THE COMPANY WITH FEEDBACK IN A TIMELY MANNER**

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

## **5. STRENGTHENING THE AWARENESS OF SERVING THE SHAREHOLDERS, AND ENSURING THE SMOOTH BILATERAL INFORMATION EXCHANGE WITH INVESTORS THROUGH THE COMMUNICATION PLATFORM**

Investor relations column which has been established on the Company's website not only provides statutory information disclosure contents such as annual reports, interim reports, quarterly reports and announcements of major events, but also voluntarily discloses monthly productive and operational data so as to satisfy the needs of investors as much as possible. Through the E-interactive Platform of the Shanghai Stock Exchange, the Company continued to respond to the public about their questions of the Company's development strategies, business operations, etc., and strived to uplift the coverage and effectiveness of the communication with investors. The Company also appointed dedicated staff to answer the calls from the investor hotline and to deal with emails and faxes, provided minority investors with timely reply, so as to effectively safeguard their legitimate rights and interests.

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

# Corporate Governance

## I. OVERVIEW OF CORPORATE GOVERNANCE

During the reporting period, the Company regulated its operations in compliance with domestic and overseas regulatory requirements. In accordance with the requirements of the Articles of Association, relevant laws and regulations and the securities regulatory rules of the places where the Company's Shares are listed, etc., and taking into account of its actual circumstances, the Company continued to formulate, improve and effectively execute the various working mechanisms and relevant working procedures of the Board and its various special committees. During the reporting period, through the coordinated operation and effective check and balance among general meeting, the Board, the relevant special committees, the supervisory committee and the corporate management, as well as 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 work flow and improving work quality to ensure rational decision-making and efficient operation. During the reporting period, the Company further improved the corporate governance system by amending the Articles of Association and other rules and regulations in accordance with the laws and regulations of the places where the Shares are listed and the latest regulatory requirements.

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 2016.

## II. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

# 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 of the Hong Kong Listing Rules. 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**

The audit and risk management committee under the Board has reviewed the interim report of the Company. In addition, PricewaterhouseCoopers, the external auditor of the Company, performed a review on the unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2016 in accordance with the International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board. On the basis of their review, which did not constitute an audit, PricewaterhouseCoopers confirmed in writing that nothing came to their attention which would cause them to believe that the interim financial information was not, in any material aspect, properly prepared in accordance with the International Accounting Standard 34 “Interim Financial Reporting”.

# Disclosure of Major Events

## I. SHARE CAPITAL STRUCTURE

As at 30 June 2016, the Company's share capital structure was as follows:

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

## II. DISTRIBUTION OF FINAL DIVIDENDS FOR 2015

The Company's plan of profit distribution for the year of 2015 was considered and approved at the Company's 2015 annual general meeting held on 21 June 2016. The Company did not distribute any profit of 2015.

## III. INTERIM PROFIT DISTRIBUTION PLAN FOR 2015

The Company will not distribute any interim profit for 2016.

## IV. AMENDMENT TO THE ARTICLES OF ASSOCIATION

On 22 March 2016, the first meeting of the third session of the Board of the Company in 2016 considered and approved the "Proposal in respect of the Amendment to the Articles of Association" and agreed to add the sale of "fertilizer" into the scope of business operations of the Company in the Articles of Association. On 27 April, the second meeting of the third session of the Board of the Company in 2016 approved the "Proposal in respect of the Amendment to the Articles of Association" and agreed to revise the "Audit Committee" in the Articles of Association and Rules of Procedures of the Board attached thereof, into "Audit and Risk Management Committee". The above two proposals were approved at the 2015 Annual General Meeting held on 21 June 2016.

For details, please refer to the announcements of the Company published on the websites of SSE, HKSE and the Company on 22 March 2016, 27 April 2016 and 21 June 2016.

## V. ASSETS TRANSACTION

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

# Disclosure of Major Events

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

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

In 2016, the Company's capital expenditure budget closely focused on four major business segments, namely coal, coal chemical, coal mining equipment and power generation, and consisted of three categories, namely infrastructure projects, procurement and maintenance of fixed assets and equity investment. The total capital expenditure budgeted for 2016 was RMB13.870 billion. During the reporting period, the actual investment amount was RMB4.815 billion, representing 34.72% of the annual budget.

During the reporting period, certain major projects such as coal mines and power plants were subject to external construction conditions and relevant national policies. As such, the completion rate of capital expenditure was lower as compared to the same period of 2015.

#### Performance of Capital Expenditure Budgeted for the First Half of 2016 (By items)

Items of capital expenditure	Actual investment from January to June 2016	Unit: RMB100 million	
		Budgeted investment in 2016	Actual investment ratio %
Total	<b>48.15</b>	138.70	34.72
Infrastructure projects	<b>38.96</b>	106.55	36.56
Procurement and maintenance of fixed assets	<b>2.46</b>	15.28	16.10
Equity investment	<b>6.73</b>	16.87	39.89

#### Performance of Capital Expenditure Budgeted for the First Half of 2016 (By business segments)

Business segments	Actual investment from January to June 2016	Unit: RMB100 million	
		Budgeted investment in 2016	Actual investment ratio %
Total	<b>48.15</b>	138.70	34.72
Coal	<b>19.80</b>	72.16	27.44
Coal chemical	<b>17.11</b>	25.05	68.30
Coal mining equipment	<b>0.02</b>	0.48	4.17
Power generation	<b>11.22</b>	40.75	27.53
Others	<b>0.003</b>	0.26	1.15

# Disclosure of Major Events

## (2) Overall Analysis of External Equity Investments

In the first half of 2016, the Company completed external equity investment of RMB664 million. Major equity investment projects included: the contribution of RMB613 million for capital increase in Zhongtian Synergetic Company, payment of RMB29 million as the consideration for consolidation of small scale coal mines within the boundary of Pingshuo East Open Pit Mine and the payment of RMB22 million as consideration for acquisition of equity interest in Yuquan Coal Company.

Name of the investee	Principal activities	Percentage of the equity interest in the investee
Zhongtian Synergetic Company	Coal production and coal chemical	38.75%
Small scale coal mines within the boundary of Pingshuo East Open Pit Mine	Coal production	100%
Yuquan Coal Company	Coal production and coal chemical	70%

## (3) Use of Proceeds

### 1. General Use of Proceeds

Year of proceeds-raising	Method	Net proceeds	Total amount of proceeds used during the year	Total amount of proceeds used accumulatively	Unit: RMB100 million	
					Balance of unutilised proceeds	Intended use and whereabouts of unutilised proceeds
2006	Initial Public Offering of H Shares	144.66	-	144.66	-	-
2008	Initial Public Offering of A Shares	253.20	0	220.64	32.56	Deposited as term deposit with the bank in which the special account for proceeds was maintained.
Total	/	397.86	0	365.30	32.56	/

### 2. Use of proceeds from H Share issuance

As at 30 June 2016, proceeds from H Share issuance of the Company were all utilised. Relevant projects have generated revenue.



# Disclosure of Major Events

## 3. Use of proceeds from A Share issuance

As at 30 June 2016, the actual application of proceeds from A Share issuance of the Company amounted to RMB22.064 billion in total, representing 87.1% of the net proceeds from A Share issuance. Details of which are listed below:

*Unit: RMB100 million*

Committed projects	Any change in project	Proposed investment financed by proceed	Actual investment financed by proceeds for the year	Actual accumulated investment financed by proceed	Meet the planned schedule or not	Project progress	Estimated return (Internal rate of return of the project investment after taxation)	Status of return generated	Meets the planned return or not	Explanation on failure to meet the planned schedule and return	Reasons for changes and explanation on the procedures for changes in the use of proceeds
Coal Deep Processing Demonstration Project in Ordos	No	41.58	0	41.58	No	Coal mine project and phase 1 of chemical segment have obtained approvals and commenced construction. Preliminary work for phase 2 is in progress.	13.94%	—	—	The project is under construction	Please refer to the prospectus of A Shares of China Coal Energy Company Limited
Heilongjiang project and ancillary engineering facilities with an annual production capacity of 10 million tonnes of coal, 1.8 million tonnes of methanol and 0.6 million tonnes of olefin	No	0.12	0	0.12	—	—	—	—	—	—	Please refer to the announcement in relation to the change in certain investment projects financed by the proceeds from the A share offering of China Coal Energy Company Limited. Announcement No. 2010-019
Supplementing the working capital of the Company for general corporate purpose or for the acquisitions of assets related to core business	No	41.33	0	41.33	Yes	—	—	—	—	—	—
Nalin River No. 2 Coal Mine Project developed by Wushenji Mengda Mining Company Limited with an annual production capacity of 8 million tonnes of coal	Yes	16.69	0	16.19	No	Preliminary work for the project is in progress	18.37%	—	—	The project is pending approval	—
Muduchaideng Coal Mine Project developed by Ordos Yihua Mining Resources Company Limited with an annual production capacity of 6 million tonnes of coal	Yes	44.64	0	16.94	No	Preliminary work for the project is in progress	19.59%	—	—	The project is pending approval	—
Xiaohugou Coal Mine Project developed by Shanxi China Coal Pingshuo Xiaohugou Coal Industry Company Limited with an annual production capacity of 3 million tonnes of coal	Yes	28.06	0	19.48	No	The project has been approved and construction has commenced	34.20%	—	—	The project is under construction	—
Hecaogou Coal Mine Project developed by Shaanxi Yan'an Hecaogou Coal Mine Company Limited with an annual production capacity of 3 million tonnes of coal	Yes	12.00	0	12.00	Yes	The project has passed completion acceptance and been officially put into production	30.57%	Profit of RMB4 million was achieved during the reporting period	No	Sharp decrease in the coal price	Please refer to the announcement in relation to the change in certain investment projects financed by the proceeds from the A share offering of China Coal Energy Company Limited. Announcement No. 2010-019
The Zhangjiakou Coal Machinery Equipment Industrial Park Project developed by China Coal Zhangjiakou Coal Mining Machinery Company Limited	Yes	23.62	0	23.62	Yes	The project has passed completion acceptance and been officially put into production	11.60%	Profit of RMB0.54 million was achieved during the reporting period	No	Insufficiency of market orders due to market downturn	—
Jingbian Energy and Chemical Comprehensive Utilisation Project developed by Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited with an annual production capacity of 0.6 million tonnes of polyethylene and 0.6 million tonnes of polypropylene	Yes	21.00	0	21.00	Yes	The project has been completed and has entered into the stage of trial production	15.51%	Profit of RMB526 million was achieved during the reporting period	—	—	—
Supplementing of the general working capital of the Company or for the acquisitions of core business related assets	Yes	28.38	0	28.38	Yes	—	—	—	—	—	—
Total	/	257.42	0	220.64	/	/	—	/	/	/	/

# Disclosure of Major Events

## (4) Status of Investment Projects with Funds not Raised through the Issuance of Shares

The status of major investment projects with funds not raised through the issuance of Shares in the first half of 2016 is set out below:

*Unit: RMB100 million*

Name of project	Amount involved in the project	Progress of the project	Amount of investment during the reporting period	Accumulated actual amount of investment	Revenue generated from the project
Pingshuo low calorific value coal power generation project in Shanxi	67.73	Under construction	8.47	15.74	Currently, the project is not completed and no revenue is generated
Renovation and expansion project of Anjialing opencast mine	27.81	Under construction	4.41	4.41	Currently, the project is not completed and no revenue is generated
Renovation and expansion project of Antaibao opencast mine	20.00	Under construction	3.58	3.58	Currently, the project is not completed and no revenue is generated
Mengda 500,000 tonnes/year Engineering Plastics Project in Inner Mongolia	106.64	Entered the trial production stage	3.76	96.02	Currently, the project is not completed and no revenue is generated
Tuke Fertiliser Plant external water supply pipeline project	15.18	Under construction	2.06	11.20	Currently, the project is not completed and no revenue is generated
The second power plant 2x660MW located in the north of Wucai Bay, Zhundong, Xinjiang	47.25	Under construction	1.97	6.04	Currently, the project is not completed and no revenue is generated

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

For the six months ended 30 June 2016, 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.

# Disclosure of Major Events

## VIII. SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, to the best knowledge of the Directors, supervisors and chief executive of the Company and as recorded in the register of interests required to be maintained pursuant to section 336 of the Securities and Futures Ordinance, the interests or short positions of the following persons (excluding Directors, supervisors and chief executive of the Company) in the Company's shares or underlying shares were as follows:

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

Note: The information disclosed is based on the information provided on HKSE Website.

Save as disclosed above, as at 30 June 2016, to the best knowledge of the Directors, supervisors and chief executive of the Company, there were no other persons who had interests and/or short positions in the shares or underlying shares of the Company as recorded in the register required to be maintained under section 336 of the Securities and Futures Ordinance.

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

As at 30 June 2016, none of the Directors, supervisors or chief executive of the Company had any interests and/or short positions in shares, underlying shares of equity derivatives or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which are required to be recorded in the register of interests kept by the Company under section 352 of the Securities and Futures Ordinance, or which are required to be notified to the Company and HKSE under the Model Code for Securities Transactions by Directors of Listed Issuers.

As at 30 June 2016, the Company had not granted any rights to any of Directors, supervisors or chief executive of the Company or any of their spouses or children under 18 years of age to subscribe for the Shares or debentures of the Company or its associated corporations, nor did any of the above-mentioned individuals exercise any such rights to subscribe for the aforesaid Shares or debentures.

# Disclosure of Major Events

## X. EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the Company had a total of 47,999 on-the-job employees, including 31,000 production personnel, 967 sales personnel, 8,883 technical personnel, 796 financial personnel, 3,340 administrative personnel and 3,013 other personnel.

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

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

In terms of remuneration strategy for employees, the Company upheld the basic principal of “salary rises as efficiency rises, salary drops as efficiency drops” and constructed a dynamic allocation system linking salaries to corporate earnings, job value and individual performance. The Company further strengthened the reform of internal income distribution mechanism through strict execution of performance-oriented principle of distribution, broadening the boundary of salary control and strict control over total labour costs in order to enhance management efficiency.

In terms of remunerations of the senior management, the Board implemented annual remuneration packages and corresponding appraisal and incentive schemes for the senior management. The annual remuneration for senior management consists of basic salary and performance-based compensation. The basic salary is determined by the production and operation scales of the Company with reference to the prevailing market level and income level of employees. The performance-based compensation is determined in line with the actual operational results of the Company. The basic salary for the senior management of the Company is paid on a monthly basis whereas the payment of performance-based compensation is made after annual performance appraisal.

# Disclosure of Major Events

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

Mr. Ngai Wai Fung, an independent non-executive director of the Company, has been appointed as an independent non-executive director of Topsearch International (Holdings) Limited since 22 March 2016 and an independent director of SPI Energy Co., Ltd. since 9 May 2016.

## XII. OTHER SIGNIFICANT EVENTS

### (I) Matters in relation to the renunciation of the right of first refusal

On 22 March 2016, the first meeting of the third session of the Board in 2016 considered and approved the “Proposal in respect of Renunciation of the Right of First Refusal of 49% Equity Interest in Shanxi China Coal Huajin Energy Company Limited”.

For details, please refer to the announcements of the Company published on the SSE Website, the HKSE Website and the Company Website on 22 March 2016.

### (II) Matters in relation to the adjustments to the annual caps for the continuing connected transactions

On 22 March 2016, the first meeting of the third session of the Board in 2016 considered and approved the “Proposal in respect of the Adjustments to the Annual Caps for the Connected Transactions of the Company Contemplated under the Coal and Coal Related Products and Services Supply Agreement for 2016-2017”; considered and approved the “Proposal in respect of the Adjustments to the Annual Caps for the Connected Transactions Contemplated under the Financial Services Framework Agreement for 2016-2017”, which was approved at the 2015 annual general meeting held on 21 June 2016.

For details, please refer to the announcements of the Company published on the websites of SSE, HKSE and the Company on 22 March 2016 and 21 June 2016.

### (III) Matters in relation to the equity selling and connected transaction of subsidiaries

On 27 April 2016, the second meeting of the third session of the board of directors of the Company in 2016 considered and approved the “Proposal in respect of the transfer of 100% equity interest in Xuzhou Sifang Aluminum Energy Co., Ltd. from Shanghai Datun Energy Resources Company Limited to Datun Coal and Electricity (Group) Company Limited”, “Proposal in respect of the transfer of 100% equity interest in Chinacoal Handan Coal Mining Equipment Co., Ltd. from China National Coal Mining Equipment Company Limited to Beijing Chinacoal Equipment Co., Ltd.”, “Proposal in respect of the transfer of 91% equity interest in Lingshi Chinacoal Jiuxin Coking Co., Ltd. from China Coal and Coke Holdings Limited to China Coal Import and Export Company” and “Proposal in respect of the transfer of 100% equity interest in Lingshi Chinacoal Chemical Co., Ltd. from China Coal and Coke Holdings Limited to China Coal Import and Export Company”. Gains of RMB929 million were generated from such equity transfer.

For details, please refer to the announcements of the Company published on the websites of SSE, HKSE and the Company on 27 April 2016.

# Disclosure of Major Events

## XIII.SUBSEQUENT EVENTS

### (I) Registration and issuance of the short term financing bonds

The Company registered short term financing bonds of RMB10.0 billion in July 2016 and issued the 2016 first tranche of short term financing bonds in the amount of RMB3.0 billion on 3 August 2016, with a term of 365 days and an interest rate for the issue of 3.1%.

### (II) Payment of medium term notes due

On 18 August 2016, the Company paid 2011 first tranche of medium term notes in the amount of RMB15.0 billion on time.

## XIV.FORWARD-LOOKING STATEMENTS

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

# Report on Review of Interim Financial Information



羅兵咸永道

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF CHINA COAL ENERGY COMPANY LIMITED (Incorporated in the People's Republic of China with limited liability)

### *Introduction*

We have reviewed the interim financial information set out on pages 47 to 84, which comprises the interim condensed consolidated balance sheet of China Coal Energy Company Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2016 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 24 August 2016

.....  
: PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, [www.pwchk.com](http://www.pwchk.com)

# Interim Condensed Consolidated Balance Sheet

As at 30 June 2016

		30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	128,860,802	128,805,171
Investment properties		49,677	50,836
Land use rights		4,881,243	4,889,260
Mining and exploration rights	8	33,701,366	32,843,807
Intangible assets	9	1,396,369	1,363,034
Investments in associates		11,918,054	11,221,621
Investments in joint ventures		1,910,723	1,878,577
Available-for-sale financial assets		5,563,211	5,566,926
Deferred income tax assets	18	2,814,211	2,425,963
Long-term receivables		253,479	245,524
Other non-current assets	10	6,512,919	6,716,696
<b>Total non-current assets</b>		<u>197,862,054</u>	<u>196,007,415</u>
<b>Current assets</b>			
Inventories	11	6,577,644	6,825,048
Trade and notes receivables	12	13,054,248	13,268,942
Prepayments and other receivables	13	8,111,002	9,726,628
Restricted bank deposits	14	2,420,292	2,586,039
Term deposits with initial terms of over three months		12,472,352	18,416,259
Cash and cash equivalents		14,357,791	11,195,663
<b>Total current assets</b>		<u>56,993,329</u>	<u>62,018,579</u>
<b>TOTAL ASSETS</b>		<u><u>254,855,383</u></u>	<u><u>258,025,994</u></u>
<b>EQUITY</b>			
<b>Equity attributable to the equity holders of the Company</b>			
Share capital	15	13,258,663	13,258,663
Reserves		42,510,898	42,775,332
Retained earnings		28,172,313	27,673,574
		<u>83,941,874</u>	<u>83,707,569</u>
<b>Non-controlling interests</b>		<u>16,716,270</u>	<u>16,574,854</u>
<b>Total equity</b>		<u><u>100,658,144</u></u>	<u><u>100,282,423</u></u>



# Interim Condensed Consolidated Balance Sheet

As at 30 June 2016

		30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	16	50,653,265	54,479,691
Long-term bonds	17	25,904,347	25,896,299
Deferred income tax liabilities	18	6,757,835	6,821,961
Deferred revenue		722,774	784,397
Provision for employee benefits		33,396	41,283
Provision for close down, restoration and environmental costs	21	1,377,055	1,308,799
Other long-term liabilities		745,786	764,390
<b>Total non-current liabilities</b>		<b>86,194,458</b>	<b>90,096,820</b>
<b>Current liabilities</b>			
Trade and notes payables	19	21,189,751	20,665,655
Accruals, advance and other payables	20	11,533,480	13,289,854
Short-term bonds		2,000,000	2,000,000
Current portion of long-term bonds		14,995,451	14,972,791
Taxes payables		825,304	1,017,466
Short-term borrowings	16	4,910,929	5,657,929
Current portion of long-term borrowings	16	12,523,862	10,019,483
Current portion of provision for close down, restoration and environmental costs	21	24,004	23,573
<b>Total current liabilities</b>		<b>68,002,781</b>	<b>67,646,751</b>
<b>Total liabilities</b>		<b>154,197,239</b>	<b>157,743,571</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>254,855,383</b>	<b>258,025,994</b>

The accompanying notes on pages 54 to 84 are an integral part of this interim condensed consolidated financial information.

**Li Yanjiang**  
Chairman of the Board  
Executive Director

**Chai Qiaolin**  
Chief Financial Officer

**Chai Qiaolin**  
Manager of Finance Department

# Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 Unaudited RMB'000	2015 Unaudited RMB'000
<b>Revenue</b>	6	<u>26,300,798</u>	<u>29,746,556</u>
<b>Cost of sales</b>			
Materials used and goods traded		(11,051,857)	(11,946,370)
Staff costs		(1,874,285)	(2,123,085)
Depreciation and amortisation		(3,084,737)	(3,182,866)
Repair and maintenance		(381,512)	(312,193)
Transportation costs and port expenses		(4,167,377)	(5,549,251)
Sales taxes and surcharges		(648,072)	(827,539)
Others		<u>(2,096,477)</u>	<u>(3,209,017)</u>
<b>Cost of sales</b>	22	<u>(23,304,317)</u>	<u>(27,150,321)</u>
<b>Gross profit</b>		<b>2,996,481</b>	<b>2,596,235</b>
Selling, general and administrative expenses	22	(1,949,884)	(2,095,903)
Other income		6,906	9,522
Other gains, net	23	<u>993,953</u>	<u>87,166</u>
<b>Profit from operations</b>		<u>2,047,456</u>	<u>597,020</u>
Finance income	24	404,258	430,172
Finance costs	24	(2,441,803)	(2,385,580)
Share of profits of associates and joint ventures		<u>281,013</u>	<u>188,208</u>
<b>Profit/(loss) before income tax</b>		<b>290,924</b>	<b>(1,170,180)</b>
Income tax credit	25	<u>250,176</u>	<u>324,057</u>
<b>Profit/(loss) for the period</b>		<u>541,100</u>	<u>(846,123)</u>
<b>Profit/(loss) attributable to:</b>			
Equity holders of the Company		225,134	(1,072,102)
Non-controlling interests		<u>315,966</u>	<u>225,979</u>
		<u>541,100</u>	<u>(846,123)</u>
<b>Basic and diluted earnings/(loss) per share(based on the profit/(loss) attributable to the equity holders of the Company) (RMB Yuan)</b>	26	<u>0.02</u>	<u>(0.08)</u>

The accompanying notes on pages 54 to 84 are an integral part of this interim condensed consolidated financial information.

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit/(loss) for the period</b>	<b>541,100</b>	(846,123)
<b>Other comprehensive income/(loss):</b>		
Items that may be reclassified subsequently to profit or loss		
Fair value changes on available-for-sale financial assets, net of tax	(1,961)	3,485
Fair value loss on hedging instruments	(592)	–
Currency translation differences	<u>17,584</u>	<u>(11,517)</u>
Total items that may be reclassified subsequently to profit or loss	<u>15,031</u>	<u>(8,032)</u>
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<u>15,031</u>	<u>(8,032)</u>
<b>Total comprehensive income/(loss) for the period</b>	<u>556,131</u>	<u>(854,155)</u>
<b>Total comprehensive income/(loss) attributable to:</b>		
Equity holders of the Company	240,165	(1,080,134)
Non-controlling interests	<u>315,966</u>	<u>225,979</u>
	<u><u>556,131</u></u>	<u><u>(854,155)</u></u>

The accompanying notes on pages 54 to 84 are an integral part of this interim condensed consolidated financial information.

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	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		
<b>Unaudited</b>						
<b>Balance at 1 January 2015</b>	<u>13,258,663</u>	<u>43,069,928</u>	<u>30,575,152</u>	<u>86,903,743</u>	<u>16,025,405</u>	<u>102,929,148</u>
<b>Total comprehensive income for the six months ended 30 June 2015</b>	<u>–</u>	<u>(8,032)</u>	<u>(1,072,102)</u>	<u>(1,080,134)</u>	<u>225,979</u>	<u>(854,155)</u>
<b>Total transactions with owners, recognised directly in equity</b>						
Appropriations	–	(59,125)	59,125	–	–	–
Disposal of a subsidiary	–	–	–	–	(26,700)	(26,700)
Share of changes in equity of associates	–	19,154	(19,154)	–	–	–
Dividends (Note 27)	–	–	(319,787)	(319,787)	(9,251)	(329,038)
Contributions	–	1,010	–	1,010	19,500	20,510
Loss of significant influence over associates	–	(35,621)	27,367	(8,254)	(2,751)	(11,005)
<b>Total transactions with owners, recognised directly in equity</b>	<u>–</u>	<u>(74,582)</u>	<u>(252,449)</u>	<u>(327,031)</u>	<u>(19,202)</u>	<u>(346,233)</u>
<b>Balance at 30 June 2015</b>	<u>13,258,663</u>	<u>42,987,314</u>	<u>29,250,601</u>	<u>85,496,578</u>	<u>16,232,182</u>	<u>101,728,760</u>
<b>Unaudited</b>						
<b>Balance at 1 January 2016</b>	<u>13,258,663</u>	<u>42,775,332</u>	<u>27,673,574</u>	<u>83,707,569</u>	<u>16,574,854</u>	<u>100,282,423</u>
<b>Total comprehensive income for the six months ended 30 June 2016</b>	<u>–</u>	<u>15,031</u>	<u>225,134</u>	<u>240,165</u>	<u>315,966</u>	<u>556,131</u>
<b>Total transactions with owners, recognised directly in equity</b>						
Appropriations	–	(279,715)	279,715	–	–	–
Share of changes in equity of associates	–	10,964	(10,964)	–	–	–
Dividends (Note 27)	–	–	–	–	(286,054)	(286,054)
Disposal of subsidiaries	–	(4,854)	4,854	–	43,044	43,044
Contributions	–	–	–	–	68,460	68,460
Other	–	(5,860)	–	(5,860)	–	(5,860)
<b>Total transactions with owners, recognised directly in equity</b>	<u>–</u>	<u>(279,465)</u>	<u>273,605</u>	<u>(5,860)</u>	<u>(174,550)</u>	<u>(180,410)</u>
<b>Balance at 30 June 2016</b>	<u>13,258,663</u>	<u>42,510,898</u>	<u>28,172,313</u>	<u>83,941,874</u>	<u>16,716,270</u>	<u>100,658,144</u>

The accompanying notes on pages 54 to 84 are an integral part of this interim condensed consolidated financial information.

# Interim Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2016

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
		<b>Unaudited</b> <b>RMB'000</b>	<b>Unaudited</b> <b>RMB'000</b>
<b>Cash flows from operating activities</b>			
Cash generated from operations	28	3,502,726	786,508
Income tax paid		(522,731)	(424,209)
Net cash generated from operating activities		<u>2,979,995</u>	<u>362,299</u>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(5,147,495)	(5,947,419)
Proceeds from disposals of property, plant and equipment		1,377,651	4,143
Purchases of land use rights, mining rights and intangible assets		(195,550)	(89,189)
Purchases of available-for-sale financial assets		–	(400,000)
Decrease in prepayment for investments		224,759	–
Increase in prepayment for investments		(141,861)	(164,645)
Increase in investments in associates		(613,025)	(1,116,250)
Payment of prior year's acquisition consideration		(19,037)	(25,000)
Loan repayment from a subsidiary disposed of		1,560,227	–
Consideration received in relation to disposal of subsidiaries in 2015, net of cash held by the subsidiaries being disposed		435,302	(8,058)
Consideration received on disposal of subsidiaries, net of cash held by the subsidiaries being disposed		170,748	–
Dividends received		68,949	83,220
A loan granted to an associate		(1,550,000)	–
Loans granted to fellow subsidiaries		(2,730,000)	–
Loan repayment from an associate		3,100,000	–
Loan repayment from fellow subsidiaries		1,330,000	–
Government grants received		670	–
Loan repayment from a joint venture		–	400,000
Interest income on loan receivables		100,662	86,278
Interest income on term deposits		345,351	131,699
Decrease/(increase) in placement of term deposits with initial terms of over three months		5,943,907	(6,182,594)
Net cash generated from/(used in) investing activities		<u>4,261,258</u>	<u>(13,227,815)</u>

# Interim Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2016

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	<b>6,860,845</b>	18,535,585
Repayments of borrowings	<b>(8,356,042)</b>	(8,160,978)
Proceeds of borrowings from a non-controlling shareholder	<b>12,000</b>	–
Contributions from the Company's shareholders	–	1,010
Contributions from non-controlling shareholders	<b>68,460</b>	19,500
Dividends paid to non-controlling shareholders	<b>(271,700)</b>	(8,075)
Bonds issuance costs	<b>(62,550)</b>	(48,300)
Net proceeds from issuance of bonds	–	9,976,000
Interest paid	<b>(2,333,315)</b>	(2,009,655)
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	<b>(4,082,302)</b>	18,305,087
	<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>	<b>3,158,951</b>	5,439,571
Cash and cash equivalents, at beginning of the period	<b>11,195,663</b>	18,131,712
Net foreign exchange gains	<b>3,177</b>	972
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period</b>	<b>14,357,791</b>	23,572,255
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes on pages 54 to 84 are an integral part of this interim condensed consolidated financial information.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 1 ORGANISATION AND PRINCIPAL ACTIVITIES

China Coal Energy Company Limited (the “Company”) was established in the People’s Republic of China (the “PRC”) on 22 August 2006 as a joint stock company with limited liability under the Company Law of the PRC as a result of a group restructuring of China National Coal Group Corporation (“China Coal Group” or the “Parent Company”) in preparing for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Restructuring”). The Company and its subsidiaries (collectively the “Group”) is principally engaged in mining and processing of coal, sales of coal, manufacturing and sales of coal-chemical products, manufacturing and sales of coal mining machinery and finance services. The address of the Company’s registered office is 1 Huang Si Da Jie, Chaoyang District, Beijing, the PRC.

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

This interim condensed consolidated financial information is presented in Renminbi (“RMB”), unless otherwise stated.

### Key events

The Group disposed of four subsidiaries to China Coal Group during the six months ended 30 June 2016. Further details are given in Note 31(d).

## 2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2016 has been prepared in accordance with International Accounting Standard (“IAS”) 34, ‘Interim Financial Reporting’. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

### 2.1 Going-concern basis

As at 30 June 2016, the Group’s current liabilities exceeded its current assets by approximately RMB11,009 million. To raise the fund required for the short-term repayment, the Group has planned to utilise the following:

- Short-term bonds of RMB10,000 million registered with National Association of Financial Market Institutional Investors in July 2016, of which RMB3,000 million has been issued in August 2016 (Note 32);
- Corporate bond of RMB8,000 million to be issued, which is in process of approval by certain governmental authorities;
- The Group’s expected net cash flow from operating activities for the next 12 months;
- Banking facilities available for draw-down of new loans when necessary; and
- Other sources of financing given the Group’s credit rating and long-term relationship with reputable domestic banks and other financial institutions.

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

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements, except for the adoption of amendments to IFRSs effective for the financial year ending 31 December 2016.

### (a) Amendments to IFRSs effective for the financial year ending 31 December 2016 do not have a material impact on the Group

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### (b) Impact of standards issued but not yet applied by the entity

#### (i) *IFRS 9 Financial instruments*

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 January 2018 but is available for early adoption. The Group is currently assessing whether it should adopt IFRS 9 before its mandatory date.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets currently classified as available-for-sale (AFS) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

The other financial assets held by the Group include

- equity instruments currently classified as AFS for which a FVOCI election is available
- debt instruments currently measured at amortised cost which appear to meet the conditions for classification at amortised cost under IFRS 9.

Accordingly the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.



# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Impact of standards issued but not yet applied by the entity (continued)

#### (i) *IFRS 9 Financial instruments (continued)*

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the Group is yet to undertake a detailed assessment, it would appear that the Group's current hedge relationships would qualify as continuing hedges upon the adoption of IFRS 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

#### (ii) *IFRS 15 Revenue from contracts with customers*

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018, and will allow early adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements.

At this stage, the Group is not able to estimate the effect of the new rules on the Group's financial statements. The Group will make more detailed assessments of the effect over the next twelve months. The Group does not expect to adopt the new standard before 1 January 2018.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 4 ESTIMATES

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including 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 interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

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

### 5.2 Liquidity risk

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

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### 5.3 Fair value estimation

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

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

As at 30 June 2016, the Group has the following assets measured at fair value which we defined as level 1:

	<b>As at 30 June 2016 Unaudited RMB'000</b>	As at 31 December 2015 Audited RMB'000
Available-for-sale financial assets		
– Equity securities (level 1)	<b>18,175</b>	<b>20,790</b>

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

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

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

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

	As at 30 June 2016 Unaudited RMB'000	As at 31 December 2015 Audited RMB'000
<b>Borrowings</b>		
Non-current	51,407,487	55,249,293
Current	17,434,791	15,677,412
	<u>68,842,278</u>	<u>70,926,705</u>
<b>Long-term bonds</b>	<u>26,662,487</u>	<u>26,720,622</u>

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

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

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 6 SEGMENT INFORMATION

### 6.1 General information

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

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

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

#### *b. Reportable segment*

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

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

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

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

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

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

*Note:*

For the six months ended 30 June 2016, the finance segment, which was previously included in other segments, has been identified as a new reportable segment as it exceeded 10% of the combined reported profit of all operating segments that did not report a loss. The comparative segment information has been accordingly restated to present the finance service segment as a separately reported segment.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 6 SEGMENT INFORMATION (CONTINUED)

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

#### *b. Reportable segments' profit, assets and liabilities*

	For the six months ended and as at 30 June 2016 (unaudited)							
	Coal- chemical Coal	Coal- chemical product	Machinery	Finance	Others (Note)	Non operating Segment	Inter- segment Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Revenue</b>								
Total Revenue	18,700,085	5,598,583	1,930,992	-	1,343,303	-	(1,272,165)	26,300,798
Inter-segment revenue	(754,744)	(12,979)	(153,938)	-	(350,504)	-	1,272,165	-
Revenue from external customers	17,945,341	5,585,604	1,777,054	-	992,799	-	-	26,300,798
<b>Profit/(loss) from operations</b>	94,431	1,542,039	218,807	(16,314)	343,510	(157,607)	22,590	2,047,456
<b>Profit/(loss) before income tax</b>	(578,933)	1,097,803	180,663	191,119	335,211	(956,005)	21,066	290,924
Interest income	25,158	61,450	6,507	318,200	3,161	753,212	(763,430)	404,258
Interest expense	(717,509)	(524,341)	(46,413)	(110,635)	(11,505)	(1,774,018)	761,907	(2,422,514)
Depreciation and amortisation	(2,000,641)	(930,065)	(190,715)	(784)	(198,678)	(17,616)	-	(3,338,499)
Share of profits of associates and joint ventures	37,574	18,837	2,182	-	4	222,416	-	281,013
Income tax credit/(expense)	13,428	20,871	(11,318)	(47,828)	(8,535)	293,071	(9,513)	250,176
<b>Other material non-cash items</b>								
Provisions for impairment of property, plant and equipment	(26,725)	(11,501)	-	-	-	(4,465)	-	(42,691)
Reversal of/(provision for) impairment of other assets	(3,357)	-	(14,204)	(3,920)	(30,132)	-	(14,080)	(65,693)
<b>Segment assets and liabilities</b>								
Total assets	130,497,443	55,468,039	17,983,086	14,728,276	6,250,471	31,430,973	(1,502,905)	254,855,383
Include: investment in associates and joint ventures	2,342,968	510,001	99,099	-	380	10,876,329	-	13,828,777
Addition to non-current assets	3,698,271	475,369	93,406	(965,072)	134,156	2,365	-	3,438,495
Total liabilities	46,912,852	25,101,547	5,649,859	3,074,381	2,244,370	72,769,692	(1,555,462)	154,197,239

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 6 SEGMENT INFORMATION (CONTINUED)

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

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

	For the six months ended 30 June 2015 (unaudited)(restated) and as at 31 December 2015 (audited) (restated)							
	Coal- chemical Coal RMB'000	product RMB'000	Machinery RMB'000	Finance RMB'000	Others (Note) RMB'000	Non operating Segment RMB'000	Inter- segment Elimination RMB'000	Total RMB'000
<b>Revenue</b>								
Total revenue	20,481,324	6,133,414	2,675,601	–	1,573,985	–	(1,117,768)	29,746,556
Inter-segment revenue	(522,572)	(2,864)	(180,643)	–	(411,689)	–	1,117,768	–
Revenue from external customers	19,958,752	6,130,550	2,494,958	–	1,162,296	–	–	29,746,556
<b>Profit/(loss) from operations</b>	(720,039)	1,406,984	85,301	(3,078)	(33,021)	(157,865)	18,738	597,020
<b>Profit/(loss) before income tax</b>	(1,419,893)	766,719	42,221	203,449	(46,729)	(728,972)	13,025	(1,170,180)
Interest income	43,632	82,832	2,840	273,430	4,106	603,290	(579,958)	430,172
Interest expense	(790,201)	(747,221)	(41,951)	(66,783)	(16,793)	(1,307,038)	579,958	(2,390,029)
Depreciation and amortisation	(2,208,964)	(821,812)	(178,849)	(395)	(252,453)	(18,245)	–	(3,480,718)
Share of profits of associates and joint ventures	37,700	23,848	(408)	–	–	127,068	–	188,208
Income tax expense	592,470	(197,129)	(12,808)	(50,887)	(1,079)	–	(6,510)	324,057
<b>Other material non-cash items</b>								
Reversal of/(provision for) impairment of other assets	(62,273)	100	(9,496)	(11,238)	(35,471)	–	–	(118,378)
<b>Segment assets and liabilities</b>								
Total assets	129,674,801	55,647,125	17,858,773	17,123,696	6,688,491	33,599,379	(2,566,271)	258,025,994
Include: investment in associates and joint ventures	2,315,068	480,211	96,917	–	–	10,208,002	–	13,100,198
Addition to non-current assets	8,585,074	4,722,113	610,991	316,892	329,806	5,657	–	14,570,533
Total liabilities	47,479,100	25,194,720	6,036,283	4,924,045	3,315,892	73,361,220	(2,567,689)	157,743,571

Note:

These activities are excluded from the reportable operating segments, as these activities are not reviewed by the CODM.

Other segments primarily relate to aluminium, electricity generating, equipment trading agency services, tendering services and other insignificant manufacturing businesses.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 6 SEGMENT INFORMATION (CONTINUED)

### 6.3 Geographical information

#### *Analysis of revenue*

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	RMB'000	RMB'000
Domestic markets	25,754,665	28,915,759
Overseas markets	546,133	830,797
	<u>26,300,798</u>	<u>29,746,556</u>

*Note:*

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

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

	30 June	31 December
	2016	2015
	Unaudited	Audited
	RMB'000	RMB'000
PRC	189,230,598	187,768,539
Australia	555	463
	<u>189,231,153</u>	<u>187,769,002</u>

*Note:*

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



# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 7 PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2016	2015
	Unaudited RMB'000	Unaudited RMB'000
Opening net book amount	128,805,171	126,367,333
Disposal of subsidiaries	(1,855,523)	(9,662)
Transfer from mining and exploration rights	12,379	12,946
Transfer from land use right	556	–
Additions	5,449,096	5,354,359
Transfer to land use right	(92,705)	(53,724)
Transfer to intangible assets	–	(1,000,167)
Disposals	(223,576)	(18,715)
Depreciation charge	(3,234,596)	(3,269,590)
	<u>128,860,802</u>	<u>127,382,780</u>
Closing net book amount	<u>128,860,802</u>	<u>127,382,780</u>

## 8 MINING AND EXPLORATION RIGHTS

	Mining rights	Exploration rights	Total
	RMB'000	RMB'000	RMB'000
<b>Unaudited</b>			
Balance at 1 January 2016	13,033,313	19,810,494	32,843,807
Additions	34	1,000,003	1,000,037
Transfer to property, plant and equipment	(12,379)	–	(12,379)
Amortisation	(130,099)	–	(130,099)
	<u>12,890,869</u>	<u>20,810,497</u>	<u>33,701,366</u>
Balance at 30 June 2016	<u>12,890,869</u>	<u>20,810,497</u>	<u>33,701,366</u>
<b>Unaudited</b>			
Balance at 1 January 2015	13,357,604	19,810,110	33,167,714
Additions	–	195	195
Transfer to property, plant and equipment	(12,946)	–	(12,946)
Amortisation	(183,909)	–	(183,909)
	<u>13,160,749</u>	<u>19,810,305</u>	<u>32,971,054</u>
Balance at 30 June 2015	<u>13,160,749</u>	<u>19,810,305</u>	<u>32,971,054</u>

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 9 INTANGIBLE ASSETS

	<b>Technical know-how RMB'000</b>	<b>Others RMB'000</b>	<b>Total RMB'000</b>
<b>Unaudited</b>			
Balance at 1 January 2016	944,729	418,305	1,363,034
Additions	64,681	16,389	81,070
Disposal of subsidiaries	–	(667)	(667)
Amortisation	(28,650)	(18,418)	(47,068)
	<u>980,760</u>	<u>415,609</u>	<u>1,396,369</u>
<b>Unaudited</b>			
Balance at 1 January 2015	–	264,294	264,294
Additions	826,836	189,443	1,016,279
Disposal of a subsidiary	–	(8,875)	(8,875)
Disposals	–	(135)	(135)
Amortisation	(20,407)	(15,766)	(36,173)
	<u>806,429</u>	<u>428,961</u>	<u>1,235,390</u>

## 10 OTHER NON-CURRENT ASSETS

	<b>30 June 2016 Unaudited RMB'000</b>	<b>31 December 2015 Audited RMB'000</b>
Prepayments for long-term investments ( <i>Note (a)</i> )	2,385,783	2,408,844
Prepayments for mining and exploration rights ( <i>Note (b)</i> )	1,382,715	2,382,715
Prepayments for constructions in progress and equipment	242,407	136,451
Deductible value added tax	503,447	580,180
Loan to a fellow subsidiary	811,800	316,800
Prepaid income tax	339,372	339,372
Prepayments for land use rights	453,899	144,086
Others	393,496	408,248
	<u>6,512,919</u>	<u>6,716,696</u>
<b>Total</b>	<b><u>6,512,919</u></b>	<b><u>6,716,696</u></b>

*Note:*

- (a) In line with the Group's strategy of expanding its coal resources, the Group has entered into a series of agreements for the acquisitions and restructuring of several local coal mines. As the relevant legal procedures are still in process, such payments are recorded as other non-current assets.
- (b) As the relevant legal procedures related to mining and exploration licenses are still in process, such payments are recorded as other non-current assets. These prepayments will be transferred to mining and exploration rights upon completion of related legal procedures.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 11 INVENTORIES

	<b>30 June 2016</b>	31 December 2015
	<b>Unaudited</b>	Audited
	<b>RMB'000</b>	RMB'000
Coal	578,067	712,240
Machinery for sale	3,366,511	3,135,910
Coal chemical products	231,125	439,572
Auxiliary materials, spare parts and tools	2,401,941	2,537,326
	<u>6,577,644</u>	<u>6,825,048</u>

The provisions for impairment of inventories of the Group amounted to RMB97,948,000 as at 30 June 2016 (31 December 2015: RMB260,440,000).

## 12 TRADE AND NOTES RECEIVABLES

	<b>30 June 2016</b>	31 December 2015
	<b>Unaudited</b>	Audited
	<b>RMB'000</b>	RMB'000
Trade receivables, net ( <i>Note (a)</i> )	9,029,403	9,679,830
Notes receivables ( <i>Note (b)</i> )	4,024,845	3,589,112
	<u>13,054,248</u>	<u>13,268,942</u>

*Notes:*

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

	<b>30 June 2016</b>	31 December 2015
	<b>Unaudited</b>	Audited
	<b>RMB'000</b>	RMB'000
Within 6 months	5,045,596	5,817,040
6 months – 1 year	2,499,131	2,053,096
1 – 2 years	1,108,244	1,624,152
2 – 3 years	362,059	337,070
Over 3 years	424,427	337,939
	<u>9,439,457</u>	<u>10,169,297</u>
Trade receivables, gross	9,439,457	10,169,297
Less: Impairment of receivables	(410,054)	(489,467)
	<u>9,029,403</u>	<u>9,679,830</u>

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 12 TRADE AND NOTES RECEIVABLES (CONTINUED)

Notes: (continued)

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

As at 30 June 2016 and 2015, there are no significant trade receivables that are past due but are not impaired.

The individually impaired receivables primarily relate to customers who are in financial difficulty.

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

The Group does not hold any collateral as security.

Trade receivables from related parties are unsecured, interest free and repayable on demand in accordance with the relevant contract entered into between the Group and the related parties.

(b) Notes receivables are principally bank accepted bills of exchange with maturity of less than one year (31 December 2015: less than one year).

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

	<b>30 June 2016</b>	31 December 2015
	<b>Unaudited</b>	Audited
	<b>RMB'000</b>	RMB'000
RMB	13,018,643	13,197,009
USD	35,605	71,933
	<u>13,054,248</u>	<u>13,268,942</u>

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

(e) As at 30 June 2016, notes receivables with amount of RMB303,393,000 (2015: RMB323,162,000) are pledged to banks for notes payables amounted to RMB303,393,000 (2015:RMB323,162,000).

## 13 PREPAYMENTS AND OTHER RECEIVABLES

	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<b>Unaudited</b>	Audited
	<b>RMB'000</b>	RMB'000
Advances to suppliers	1,339,559	1,292,701
Entrusted loans	1,350,000	3,000,000
Interest receivable	136,689	255,809
Dividends receivable	161,874	40,175
Loan to a fellow subsidiary	1,267,200	277,200
Other amounts due from related parties, gross	902,539	1,987,971
Other amounts due from third parties, gross	3,268,214	3,197,385
	<u>8,426,075</u>	<u>10,051,241</u>
Less: Impairment of prepayment and other receivables	(315,073)	(324,613)
Prepayments and other receivables, net	<u>8,111,002</u>	<u>9,726,628</u>

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 14 RESTRICTED BANK DEPOSITS

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

## 15 SHARE CAPITAL

	<b>Number of shares</b> <i>(thousands)</i>	<b>Nominal value</b> <i>RMB'000</i>
At 1 January 2015 and 2016, and 30 June 2016		
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 period ended 30 June 2016 and 2015.

- (a) The A shares rank pari passu, in all material respects, with the H shares.
- (b) As at 30 June 2016, 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 1.00% of the Company's total share capital.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 16 BORROWINGS

	<b>30 June 2016 Unaudited RMB'000</b>	31 December 2015 Audited RMB'000
<b>Long-term borrowings</b>		
Bank loans and loans from other financial institutions		
– Secured	<b>6,206,593</b>	7,551,502
– Guaranteed	<b>9,575,286</b>	2,578,576
– Unsecured	<b>47,395,248</b>	54,369,096
	<b>63,177,127</b>	64,499,174
Less: Amount due within one year under current liabilities	<b>(12,523,862)</b>	(10,019,483)
	<b>50,653,265</b>	54,479,691
<b>Short-term borrowings</b>		
Bank loans and loans from other financial institutions		
– Secured	<b>278,782</b>	278,782
– Guaranteed	<b>64,000</b>	50,000
– Unsecured	<b>4,568,147</b>	5,329,147
	<b>4,910,929</b>	5,657,929
<b>Total borrowings</b>	<b>68,088,056</b>	70,157,103

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 16 BORROWINGS (CONTINUED)

(a) The movements in borrowings are analysed below:

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	RMB'000	RMB'000
Opening balance	70,157,103	63,852,888
Additions	8,421,072	18,535,585
Payments	(8,356,042)	(8,160,978)
Disposal of subsidiaries	(2,134,077)	–
Ending balance	<u>68,088,056</u>	<u>74,227,495</u>

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

	30 June 2016	31 December 2015
	Unaudited	Audited
	RMB'000	RMB'000
<b>Bank loans and loans from other financial institutions</b>		
– Within one year	12,523,862	10,019,483
– In the second year	15,932,604	16,703,446
– In the third to fifth year	15,361,952	21,620,502
– After the fifth year	19,358,709	16,155,743
	<u>63,177,127</u>	<u>64,499,174</u>

## 17 LONG-TERM BONDS

	30 June	31 December
	2016	2015
	Unaudited	Audited
	RMB'000	RMB'000
Mid-term bonds	25,880,347	25,680,299
Commission payable – non-current	24,000	216,000
	<u>25,904,347</u>	<u>25,896,299</u>

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

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 18 DEFERRED INCOME TAX

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

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

	<b>Deferred income tax assets</b>	<b>Deferred income tax liabilities</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Unaudited</b>			
Opening balance at 1 January 2016	2,507,196	(6,903,194)	(4,395,998)
Credited to income statement	370,683	121,203	491,886
Charge to other comprehensive income	–	654	654
Disposal of subsidiaries	(40,166)	–	(40,166)
	<u>2,837,713</u>	<u>(6,781,337)</u>	
Ending balance at 30 June 2016	<u>2,837,713</u>	<u>(6,781,337)</u>	
Offset amount	<u>(23,502)</u>	<u>23,502</u>	
	<u><u>2,814,211</u></u>	<u><u>(6,757,835)</u></u>	
<b>Unaudited</b>			
Opening balance at 1 January 2015	1,247,513	(7,597,460)	(6,349,947)
Credited to income statement	693,749	96,611	790,360
Charged to other comprehensive income	–	(1,161)	(1,161)
	<u>1,941,262</u>	<u>(7,502,010)</u>	
Ending balance at 30 June 2015	<u>1,941,262</u>	<u>(7,502,010)</u>	
Offset amount	<u>(77,844)</u>	<u>77,844</u>	
	<u><u>1,863,418</u></u>	<u><u>(7,424,166)</u></u>	



# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 19 TRADE AND NOTES PAYABLES

	<b>30 June 2016 Unaudited RMB'000</b>	31 December 2015 Audited RMB'000
Trade payables ( <i>Note (a)</i> )	17,984,662	19,039,397
Notes payables	<u>3,205,089</u>	<u>1,626,258</u>
	<b><u>21,189,751</u></b>	<b><u>20,665,655</u></b>

*Note:*

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

	<b>30 June 2016 Unaudited RMB'000</b>	31 December 2015 Audited RMB'000
Less than 1 year	14,074,779	14,955,209
1 – 2 years	2,226,487	2,620,806
2 – 3 years	1,006,011	711,828
Over 3 years	<u>677,385</u>	<u>751,554</u>
	<b><u>17,984,662</u></b>	<b><u>19,039,397</u></b>

## 20 ACCRUALS, ADVANCE AND OTHER PAYABLES

	<b>30 June 2016 Unaudited RMB'000</b>	31 December 2015 Audited RMB'000
Customer deposits and receipts in advance	1,274,793	1,379,498
Payable for acquisition of subsidiaries	850,827	869,864
Payable for compensation for local mining companies	222,093	257,536
Dividends payable	318,758	304,404
Payables for site restoration	235,239	263,088
Mineral and water resource compensation payable	42,943	40,334
Salaries and staff welfare payable	684,452	771,609
Interest payable	1,750,692	1,112,479
Payables for mining rights	319,183	391,690
Advance from a non-controlling interest of a subsidiary	100,169	11,801
Contractor deposits	822,719	733,664
Deposits from fellow subsidiaries	2,883,018	5,015,336
Other amounts due to related parties	467,839	340,395
Other amounts due to third parties	<u>1,560,755</u>	<u>1,798,156</u>
	<b><u>11,533,480</u></b>	<b><u>13,289,854</u></b>

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 21 PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	Six months ended 30 June	
	2016	2015
	Unaudited RMB'000	Unaudited RMB'000
Opening balance	1,332,372	1,245,236
Unwinding of discount	19,557	21,221
Provisions	62,639	5,255
Payments	(13,509)	(6,119)
	<hr/>	<hr/>
Ending balance	1,401,059	1,265,593
Less: current portion	(24,004)	(28,198)
	<hr/>	<hr/>
	<b>1,377,055</b>	<b>1,237,395</b>
	<hr/> <hr/>	<hr/> <hr/>

## 22 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2016	2015
	Unaudited RMB'000	Unaudited RMB'000
Depreciation	3,097,223	3,213,439
Amortisation	241,276	267,279
Materials used and goods traded	11,051,857	11,946,370
Transportation costs and port expenses	4,167,377	5,549,251
Sales tax and surcharges	648,072	827,539
Auditors' remuneration	2,230	2,000
Net losses on disposal of property, plant and equipment	3,131	14,572
Repair and maintenance	387,297	317,041
Operating lease rentals	46,093	112,005
Provision for impairment of inventories	27,896	106,260
Provision for impairment of receivables	37,797	12,118
Provision for impairment of property, plant and equipment	42,691	–
Employee benefit expense (including directors' emoluments)	2,748,390	3,199,054
Mineral and water resource compensation fees	30,457	52,993
Other expenses	2,722,414	3,626,303
	<hr/>	<hr/>
Total cost of sales, selling, general and administrative expenses	<b>25,254,201</b>	<b>29,246,224</b>
	<hr/> <hr/>	<hr/> <hr/>

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 23 OTHER GAINS, NET

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	RMB'000	RMB'000
Gains on disposal of subsidiaries	929,307	–
Others	64,646	87,166
	<u>993,953</u>	<u>87,166</u>

## 24 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	RMB'000	RMB'000
Interest expense:		
– Bank borrowings	1,897,685	2,188,772
– Long-term bonds	1,141,504	883,228
– Unwinding of discount	54,364	47,978
Other incidental borrowing costs and charges	4,890	6,355
Net foreign exchange losses/(gains)	14,399	(10,804)
	<u>3,112,842</u>	<u>3,115,529</u>
Finance costs		
Less: amounts capitalised on qualifying assets	(671,039)	(729,949)
	<u>2,441,803</u>	<u>2,385,580</u>
Finance income:		
– interest income on bank deposits	303,596	343,894
– interest income on loans to related parties	100,662	86,278
	<u>404,258</u>	<u>430,172</u>
Total finance income		
	<u>2,037,545</u>	<u>1,955,408</u>

Note:

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

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
Capitalisation rate used to determine the amount of finance costs eligible for capitalisation	<u>4.84%-6.80%</u>	<u>5.25%-6.92%</u>

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 25 INCOME TAX CREDIT

	Six months ended 30 June	
	2016	2015
	Unaudited RMB'000	Unaudited RMB'000
Current income tax		
– PRC enterprise income tax ( <i>Note (a)</i> )	241,710	466,307
Deferred income tax ( <i>Note 18</i> )	(491,886)	(790,360)
	<u>(250,176)</u>	<u>(324,057)</u>

*Note:*

- (a) The provision for PRC enterprise income tax (“EIT”) is calculated based on the statutory income tax rate of 25%. The applicable income tax rate in 2016 and 2015 is 25% of the assessable income of each of the companies now comprising the Group, determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries which are taxed at preferential tax rate 15% based on the relevant PRC tax laws and regulations.

## 26 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share for the six months ended 30 June 2016 and 2015 is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the number of 13,258,663,000 ordinary shares in issue during the period.

As the Company had no dilutive instruments for the six months ended 30 June 2016 and 2015, diluted earnings/(loss) per share is the same as basic earnings per share.

## 27 DIVIDENDS

As approved at the Company’s 2015 annual general meeting held on 21 June 2016, the Company did not pay any dividends for 2015.

The Board of Directors of the Company does not recommend a dividend for the six-month period ended 30 June 2016.

The Company declared 2014 final dividend of RMB0.024 Yuan per share totally RMB319,787,000 was approved on 16 June 2015, and paid in July 2015.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 28 NOTES TO THE INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

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

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	RMB'000	RMB'000
Profit/(loss) before income tax	290,924	(1,170,180)
Adjustments for:		
Property, plant and equipment		
– depreciation charge	3,097,223	3,213,439
– net losses on disposals (Note 22)	3,131	14,572
Land use rights, mining rights and intangible assets		
– amortisation charge	241,276	267,279
Provision for impairment of property, plant and equipment	42,691	–
Provision for impairment of receivables	37,797	12,118
Provision for impairment of inventories	27,896	106,260
Share of profits of associates and joint ventures	(281,013)	(188,208)
Net foreign exchange losses/(gains)	14,407	(10,804)
Net gain on disposal of subsidiaries	(929,307)	–
Gains from losing significant influence over associates	–	(11,005)
Interest income	(326,893)	(229,615)
Interest expense	2,422,514	2,390,029
Dividend income	(6,906)	(9,523)
Changes in working capital:		
Inventories	(64,185)	693,038
Trade and notes receivables	(710,753)	(1,532,036)
Prepayments and other receivables	(141,864)	(844,511)
Trade and notes payables	1,823,651	(2,070,724)
Accruals, advance and other payables	(2,203,676)	109,921
Restricted bank deposits	165,747	57,979
Provision for employee benefits	(7,669)	(10,657)
Provision for close down, restoration, and environmental costs	7,735	(864)
<b>Cash generated from operations</b>	<b>3,502,726</b>	<b>786,508</b>

## 29 CONTINGENT LIABILITIES

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

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 30 COMMITMENTS

### (a) Capital commitments

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

	<b>30 June 2016 Unaudited RMB'000</b>	31 December 2015 Audited RMB'000
Property, plant and equipment	4,376,738	2,174,303
Others	<u>1,025,233</u>	<u>1,160,643</u>
	<u><b>5,401,971</b></u>	<u><b>3,334,946</b></u>

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

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

	<b>30 June 2016 Unaudited RMB'000</b>	31 December 2015 Audited RMB'000
Land and buildings:		
– Within 1 year	101,947	105,397
– From 1 year to 5 years	269,077	274,557
– Over 5 years	<u>616,931</u>	<u>616,931</u>
	<u><b>987,955</b></u>	<u><b>996,885</b></u>

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 30 COMMITMENTS (CONTINUED)

### (c) Investment commitments

According to the agreement entered into on 16 August 2012, Mengxi-Huazhong Railway Company Limited (“Mengxi-Huazhong”) was incorporated by the Company, China Railway Investment Corporation and other 14 companies. As a 10% shareholder, as at 30 June 2016 the Company has invested RMB1,413 million in Mengxi-Huazhong and is committed to further invest RMB5,284 million by instalments in the future.

According to the agreement entered into on 29 June 2011 between the Company, Yima Coal Industry Group Company Limited and Shanxi Haizi Jiaohua Company Limited (“Haizi Jiaohua”), as at 30 June 2016 the Company has paid RMB178 million to Haizi Jiaohua as part of the consideration to acquire 51% interests in Shanxi Puxian China Coal Jinchang Mining Company Limited (“Jinchang”) and committed to pay the remaining consideration of RMB301 million in the future when certain condition is fulfilled.

According to the agreement entered into on 29 June 2011 between the Company and Haizi Jiaohua, as at 30 June 2016 the Company has paid RMB293 million to Haizi Jiaohua as part of the consideration to acquire 63% interests in Shanxi Puxian China Coal Yushuo Mining Company Limited (“Yushuo”) and committed to pay the remaining consideration of RMB446 million in the future when certain condition is fulfilled.

According to the agreement entered into on 15 July 2006, Zhongtian Synergetic Energy Company Limited (“Zhongtian Synergetic”) was incorporated by the Company, China Petroleum & Chemical Corporation and other 3 companies. As a 38.75% shareholder, as at 30 June 2016 the Company has invested RMB6,787 million in Zhongtian Synergetic and is committed to further invest RMB454 million by instalments in the future.

According to the agreement entered into on 28 May 2008, Mengji Railway Company Limited (“Mengji Railway”) was incorporated by the Company, Hohhot Railway Bureau and other 7 companies. As a 5% shareholder, as at 30 June 2016 the Company has invested RMB1,400 million in Mengji Railway and is committed to further invest RMB100 million by instalments in the future.

According to the agreement entered into on 23 December 2011, Huzhun’e Railway Company Limited (“Huzhun’e Railway”) was incorporated by the Company, Hohhot Railway Bureau and other 7 companies. As a 10% shareholder, as at 30 June 2016 the Company has invested RMB266 million in Huzhun’e Railway and is committed to further invest RMB819 million by instalments in the future.

## 31 SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group has extensive transactions with its parent company, China Coal Group. For the purpose of disclosures of related party transactions, to the extent possible, the Group has procedures in place to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are related parties. Management believes that all material related party transactions and balances, of which they are aware of, have been adequately disclosed.

Sales of goods and provision of services to related parties are at state-prescribed prices or prices which are also available to other customers. The Group considers that these sales are activities in the ordinary course of business.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 31 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

### (a) Related party transactions

	Six months ended 30 June	
	2016 Unaudited RMB'000	2015 Unaudited RMB'000
<b>Transactions with the Parent Company and fellow subsidiaries:</b>		
<i>Coal Export and Sales Agency (i)</i>		
Agency fees for coal export and sales to the Parent Company	366	798
<i>Integrated Material and Services Mutual Provision (ii)</i>		
Purchase of production material, machinery and equipment from the Parent Company and fellow subsidiaries	1,452,308	1,178,543
Charges for social and support services provided by the Parent Company and fellow subsidiaries	10,669	22,899
Sales of production material, machinery and equipment to the Parent Company and fellow subsidiaries	256,971	253,539
Revenue of coal export-related services from the Parent Company and fellow subsidiaries	4,468	4,304
<i>Mine Construction, Design and General Contracting Service (iii)</i>		
Charges for mine construction and design services provided by the Parent Company and fellow subsidiaries	1,018,205	1,168,625
<i>Property Leasing (iv)</i>		
Rental fees paid to the Parent Company and fellow subsidiaries	40,908	38,774
<i>Land Use Rights Leasing (v)</i>		
Rental fees paid to the Parent Company and fellow subsidiaries	28,042	30,167
<i>Coal Supplies (vi)</i>		
Coal purchased from the Parent Company and fellow subsidiaries	1,555,857	896,086
<i>Financial services (vii)</i>		
Loans provided to the Parent Company and fellow subsidiaries	2,730,000	296,976
Loans repayment received from the Parent Company and fellow subsidiaries	1,330,000	–
Deposits received from the Parent Company and fellow subsidiaries	2,132,318	1,568,289
Interest paid to the Parent Company and fellow subsidiaries	16,709	15,738
Interest received from the Parent Company and fellow subsidiaries	21,222	15,886
<i>Fee paid for use of trademark (viii)</i>	RMB1	RMB1



# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 31 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

### (a) Related party transactions (continued)

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	RMB'000	RMB'000
<b>Transactions with joint ventures</b>		
<i>Sales and services provided</i>		
Sales of coal to joint ventures	70,541	100,473
Income from providing labor services to joint ventures	262	–
Sales of machinery and equipment to joint ventures	22,021	–
<i>Purchases of goods and services</i>		
Purchases of coal from joint ventures	35,557	65,676
<i>Financial services</i>		
Loans provided to joint ventures	–	1,802,000
Loans repayment received	350,000	–
Interest income on loans to joint ventures	55,711	70,392
<b>Transactions with associates</b>		
<i>Sales and services provided</i>		
Sales of machinery and equipment to associates	6,161	36,223
Sales of materials and spare parts to associates	3,073	211,453
Railway rental income from associates	55,760	76,826
Income from providing labor services to associates	–	26,396
Sales of coal to associates	214,879	350,574
<i>Purchases of goods and services</i>		
Purchases of coal from associates	154,020	38,728
Purchases of materials and spare parts from associates	54,781	8,798
Transportation services purchased from associates	766,105	223,602
<i>Financial services</i>		
Loans provided to joint ventures	1,550,000	–
Loans repayment received	1,550,000	–
Interest income on loans to associates	23,728	–
<b>Transactions with a primary shareholder of a significant subsidiary</b>		
<i>Sales and services provided (ix)</i>		
Sales of coal to a primary shareholder of a significant subsidiary	154,435	210,606
<i>Purchases of goods and services (ix)</i>		
Purchases of coal from a primary shareholder of a significant subsidiary	–	71,710
<i>Infrastructural Project and Procurement of Coal Mining Facilities Service (ix)</i>		
Charges paid to a primary shareholder of a significant subsidiary for infrastructural project and procurement of coal mining facilities services	1,206	110,903

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 31 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

### (a) Related party transactions (continued)

*Note:*

- (i) Under relevant PRC laws and regulations, coal exports shall only be made through one of four authorised PRC enterprises including China Coal Group. The Company appointed China Coal Group as its coal export sales agent under a Coal Export and Sales Agency Framework Agreement entered into on 5 September 2006. Pursuant to the agreement, the agency fee is determined based on market price and the agency fee for the coal exports and sales to the China Taiwan market is extra plus USD0.5 per ton of coal products sold. The agency fees are payable on a monthly basis, effective from 31 December 2008. The agreement has been renewed to extend the term to 31 December 2017.
- (ii) The Company and China Coal Group entered into Integrated Materials and Services Mutual Provision Framework Agreement on 5 September 2006, under which the Company provides to China Coal Group and China Coal Group provides to the Company production material supplies and ancillary services, and the Company also provides to China Coal Group export-related services. The Company and China Coal Group entered into Supplementary Agreement to Integrated Materials and Services Mutual Provision Framework Agreement on 31 December 2012. Pursuant to the agreement, the service fee is 65% of the actual service fee charged by China Coal Group in respect of each ton of coal products exported. The above two agreements have been renewed to extend the term to 31 December 2017.
- (iii) The Company and China Coal Group entered into Mine Construction and Design Framework Agreement on 5 September 2006, followed with contract renewal under the name of Mine Construction, Mine Design and General Contracting Service Framework Agreement upon its expiry date of 31 December 2008. Subsequently, the Company and China Coal Group extend this contract and change its name to Project Design, Construction and General Contracting Framework Agreement when the contract is due on 31 December 2011. The deal mainly includes:
- China Coal Group provides the Company with engineering design, construction and general contracting;
  - China Coal Group undertakes projects which the Company subcontracts;
  - For engineering design, construction and general contracting, services providers and pricing would be determined in the form of public bidding;
  - The agreement is valid up to 31 December 2014.
- The agreement has been renewed to extend the term to 31 December 2017.
- (iv) The Company and China Coal Group entered into a Property Lease Framework Agreement on 5 September 2006, pursuant to which the Company leases from China Coal Group certain buildings and properties in the PRC for general business and ancillary purposes. The annual lease payment is subject to review and adjustment every three year based on market price. The Company and China Coal Group renewed the Property Leasing Framework Agreement in 2014, which is effective till December 2024, agreeing a cap of annual lease payment of RMB105,000,000 for 2015 to 2017.
- (v) The Company and China Coal Group entered into a Land Use Rights Lease Framework Agreement on 5 September 2006, pursuant to which the Company leases certain land use rights in the PRC from China Coal Group for general business and ancillary purposes. The annual lease payment is subject to review and adjustment every three year based on market price. This agreement is effective for 20 years. The cap of annual lease payment for 2015 to 2017 is RMB61,000,000.
- (vi) The Company and China Coal Group entered into a Coal Supplies Framework Agreement on 5 September 2006, pursuant to which China Coal Group will sell all coal products produced from its retained mines exclusively to the Company, and has undertaken not to sell any such coal products to any third party. The agreement has been renewed to extend the term to 31 December 2017.
- (vii) China Coal Finance Co., Ltd and China Coal Group entered into a Financial Services Framework Agreement on 18 March 2014, under which the Company provides financial services to China Coal Group within its business scope. This agreement is valid until 31 December 2014, taking effect from 18 March 2014. The agreement has been renewed to extend the term to 31 December 2017.
- (viii) The Company and China Coal Group entered into a Trademark License Framework Agreement on 5 September 2006, under which the Company is authorised to use partial registered trademarks of companies without use at the cost of RMB1. This agreement is valid for 10 years, taking effect from 22 August 2006. This agreement has been renewed on 23 August 2016 to extend the term to 22 August 2026.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 31 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

### (a) Related party transactions (continued)

*Note:*

- (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 Company purchases the coal and coal related products and accepts services from Shanxi Coking Coal Group and Shanxi Coking Coal Group purchases the coal and coal related products and accepts services from the Company. The agreement will be valid until 31 December 2017, taking effect from 23 October 2014.

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

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

### *Transactions with other government related entities in the PRC*

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

During the period ended 30 June 2016 and 2015, majority of the following Group’s activities are conducted with other state-controlled entities:

- Sales of coal;
- Sales of machinery and equipment;
- Purchases of coal;
- Purchases of materials and spare parts;
- Purchases of transportation services; and
- Bank balances and borrowings.

In addition to the above mentioned, transactions with other state-controlled entities also include but not limited to the following:

- Lease of assets;
- Retirement benefit plans.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 31 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

### (a) Related party transactions (continued)

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

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

	Six months ended 30 June	
	2016	2015
	Unaudited RMB'000	Unaudited RMB'000
<b>Key management compensation</b>		
Salary, allowances and other benefits		
– Directors and supervisors	788	753
– Other key management	973	1,303
	<b>1,761</b>	<b>2,056</b>
<b>Pension costs-defined contribution plans</b>		
– Directors and supervisors	65	64
– Other key management	170	198
	<b>235</b>	<b>262</b>

### (b) Loan guarantees to related parties

	30 June 2016	31 December 2015
	Unaudited	Audited
	RMB'000	RMB'000
Loan guarantees to related parties		
– Associates	13,509,635	4,545,291
– Joint ventures	224,990	175,000
	<b>13,734,625</b>	<b>4,720,291</b>
Total	<b>13,734,625</b>	<b>4,720,291</b>

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 31 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Commitments to related parties

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
With the parent company and fellow subsidiaries		
– Purchases of goods	–	15,455
– Purchases of services	799,270	917,844
– Leasing	936,025	987,498
	<u>1,735,295</u>	<u>1,920,797</u>
Total	<u>1,735,295</u>	<u>1,920,797</u>

### (d) Disposal of subsidiaries

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

	Sifang Aluminium RMB'000	Handan Coal Equipment RMB'000	China coal Jiuxin RMB'000	Lingshi Chemical RMB'000	Total RMB'000
Consideration received in cash	–	–	–	194,842	194,842
Less: Carrying value of former subsidiary's net assets	(286,075)	(164,275)	(454,508)	170,370	(734,488)
Gain on disposal	<u>286,075</u>	<u>164,275</u>	<u>454,508</u>	<u>24,472</u>	<u>929,330</u>

## 32 SUBSEQUENT EVENTS

### • Registration and issuance of the short-term financing bonds

The Company registered short-term financing bonds of RMB10.0 billion in July 2016 and issued the 2016 first tranche of short-term financing bonds in the amount of RMB3.0 billion on 3 August 2016, with a term of 365 days and an interest rate for the issue of 3.1%.

### • Payment of medium term notes due

On 18 August 2016, the Company repaid 2011 first tranche of medium term notes in the amount of RMB15.0 billion according to repayment schedule.

# Company Profile

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

## INFORMATION ABOUT SECRETARY TO THE BOARD OF THE COMPANY

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

## BASIC INFORMATION ABOUT THE COMPANY

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

## BRIEF INFORMATION ABOUT SHARES OF THE COMPANY

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

Authorised Representatives of the Company	Gao Jianjun, Zhou Dongzhou
Company Secretary	Zhou Dongzhou

# Company Profile

## AUDITOR OF THE COMPANY

Domestic auditor of the Company  
Office address of the domestic auditor of the Company

PricewaterhouseCoopers Zhong Tian LLP  
11/F, PricewaterhouseCoopers Center,  
Building 2, Corporate Avenue, 202 Hu Bin Road,  
Huangpu District, Shanghai, PRC  
PricewaterhouseCoopers  
22/F, Prince's Building, Central, Hong Kong

International auditor of the Company  
Office address of the international auditor  
of the Company

## LEGAL ADVISORS OF THE COMPANY

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

## SHARE REGISTRARS FOR DOMESTIC AND OVERSEAS LISTED SHARES

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

# Definitions

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

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



# Definitions

Shaanxi Company	China Coal Shaanxi Yulin Energy & Chemical Company Limited
Zhongtian Synergetic Company	Zhongtian Synergetic Energy Company Limited
Yuquan Coal Company	Shanxi Yangquan Yuxian Yuquan Coal Company Limited
Chinacoal Jiuxin	Lingshi Chinacoal Jiuxin Coking Co., Ltd.
Lingshi Chemical	Lingshi Chinacoal Chemical Co., Ltd.
Heilongjiang Coal Chemical Group	China Coal Heilongjiang Coal Chemical Engineering (Group) Company Limited, a controlling subsidiary of China Coal Group
Mengda Methanol Project	the Mengda coal based methanol project in Ordos of Inner Mongolia
Mengda Engineering Plastics Project	Mengda New Energy & Chemical Industry Company Limited
Yulin Olefin Project	the methanol acetic acid series deep processing and comprehensive utilisation project of China Coal Shaanxi Yulin Energy & Chemical Company Limited
Tuke Fertiliser Project	Phase I of the Tuke Fertiliser Project in Ordos of Inner Mongolia
RMB	RMB yuan





ADD : 1, HUANGSI DAJIE, CHAOYANG DISTRICT, BEIJING, CHINA  
POST CODE : 100120  
TEL : (010) 82236028  
FAX : (010) 82256484  
WEBSITE : [WWW.CHINACOALENERGY.COM](http://WWW.CHINACOALENERGY.COM)