中煤

CHINA COAL ENERGY COMPANY LIMITED*

中國中煤能源股份有限公司

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

(Stock Code: 01898)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

Financial highlights:

- Revenue of the Group in the first half of 2012 was RMB45.408 billion, representing an increase of RMB2.31 billion (or 5.4%) over the same period of 2011.
- Profit attributable to the equity holders of the Company in the first half of 2012 was RMB5.124 billion, representing a decrease of RMB459 million (or 8.2%) over the same period of 2011.
- Basic earnings per share of the Company during the reporting period was RMB0.39, representing a decrease of RMB0.03 over the same period of 2011.
- EBITDA in the first half of 2012 was RMB9.387 billion, representing a decrease of RMB700 million (or 6.9%) over the same period of 2011.
- The Company does not distribute interim dividends for 2012.

The board of directors of China Coal Energy Company Limited ("China Coal Energy" or the "Company") (the "Board") is pleased to announce the interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2012 prepared in accordance with the International Financial Reporting Standards ("IFRS"). The Group's interim results have not been audited, but have been reviewed by the Company's auditor, PricewaterhouseCoopers.

A. SELECTED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION PREPARED IN ACCORDANCE WITH IFRS

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

		Six months ended 30 June	
		2012 Unaudited	**2011 Unaudited and restated**
	Note	*RMB'000*	*RMB'000*
Revenue	4	45,407,704	43,098,234
Cost of sales			
Materials		(19,803,925)	(18,450,887)
Staff costs		(2,262,024)	(2,066,375)
Depreciation and amortisation		(2,082,053)	(1,909,127)
Repair and maintenance		(548,054)	(501,811)
Transportation costs		(5,459,156)	(4,786,271)
Sales taxes and surcharges		(716,774)	(693,160)
Others		(5,060,776)	(4,597,884)
Cost of sales		(35,932,762)	(33,005,515)
Gross profit		9,474,942	10,092,719
Selling, general and administrative expenses		(2,294,738)	(2,052,290)
Other income		4,175	518
Other gains, net		49,040	17,718
Profit from operations		7,233,419	8,058,665
Finance income	5	421,100	257,542
Finance costs	5	(593,739)	(276,022)
Share of profits of associates and jointly controlled entities		207,975	34,847
Profit before income tax		7,268,755	8,075,032
Income tax expense	6	(1,816,926)	(1,988,766)
Profit for the period		5,451,829	6,086,266
Profit attributable to:			
Equity holders of the Company		5,123,643	5,583,209
Non-controlling interests		328,186	503,057
		5,451,829	6,086,266
Basic and diluted earnings per share for the profit attributable to the equity holders of the Company (RMB Yuan)	7	0.39	0.42
Dividends distributed	8	2,851,145	2,072,693
Dividends proposed after the balance sheet date		–	–

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended 30 June	
	2012	**2011**
	Unaudited	**Unaudited and restated**
	RMB'000	*RMB'000*
Profit for the period	5,451,829	6,086,266
Other comprehensive income:		
Fair value changes on available-for-sale financial assets, net of tax	145	132
Currency translation differences	680	(3,552)
Other comprehensive income/(loss) for the period, net of tax	825	(3,420)
Total comprehensive income for the period	5,452,654	6,082,846
Total comprehensive income attributable to:		
Equity holders of the Company	5,124,468	5,579,789
Non-controlling interests	328,186	503,057
	5,452,654	6,082,846

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30 JUNE 2012

	Note	30 June 2012 Unaudited *RMB'000*	31 December 2011 Audited and restated *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		66,486,784	60,248,092
Investment properties		29,289	29,912
Land use rights		2,784,397	2,815,270
Mining and exploration rights		31,429,931	28,419,571
Intangible assets		111,848	110,402
Investments in associates		7,764,225	7,058,652
Investments in jointly controlled entities		695,512	578,015
Available-for-sale financial assets		1,399,512	1,221,995
Deferred income tax assets		307,692	202,046
Long-term receivables		137,004	114,713
Other non-current assets		1,930,588	3,048,458
Total non-current assets		113,076,782	103,847,126
Current assets			
Inventories		7,663,032	7,290,886
Trade and notes receivables	9	10,555,406	7,976,901
Prepayments and other receivables		6,768,739	6,165,140
Restricted bank deposits		3,231,091	3,173,248
Term deposits with initial terms of over three months		9,162,158	11,295,045
Cash and cash equivalents		14,811,069	20,926,515
Total current assets		52,191,495	56,827,735
TOTAL ASSETS		165,268,277	160,674,861
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		13,258,663	13,258,663
Reserves		44,313,508	44,078,174
Retained earnings			
– Dividends proposed after the balance sheet date		–	2,851,145
– Others		26,175,474	21,774,491
		83,747,645	81,962,473
Non-controlling interests		13,746,172	14,207,845
Total equity		97,493,817	96,170,318

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2012

	Note	30 June 2012 Unaudited *RMB'000*	31 December 2011 Audited and restated *RMB'000*
LIABILITIES			
Non-current liabilities			
Long-term borrowings		16,226,272	11,456,013
Long-term bonds		14,950,364	14,955,000
Deferred income tax liabilities		7,178,088	6,972,590
Deferred revenue		336,137	349,309
Provision for employee benefits		158,669	160,071
Provision for close down, restoration and environmental costs		1,111,133	1,086,384
Other long-term liabilities		218,751	214,739
Total non-current liabilities		40,179,414	35,194,106
Current liabilities			
Trade and notes payables	10	12,512,836	10,970,057
Accruals, advance and other payables		10,944,498	11,694,219
Taxes payables		1,787,376	3,564,753
Short-term borrowings		1,255,296	2,254,696
Current portion of long-term borrowings		1,045,395	798,449
Current portion of provision for close down, restoration and environmental costs		49,645	28,263
Total current liabilities		27,595,046	29,310,437
Total liabilities		67,774,460	64,504,543
TOTAL EQUITY AND LIABILITIES		165,268,277	160,674,861
NET CURRENT ASSETS		24,596,449	27,517,298
TOTAL ASSETS LESS CURRENT LIABILITIES		137,673,231	131,364,424

B. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 ORGANISATION

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").

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 condensed consolidated interim financial information has been reviewed, not audited by the independent auditors.

2 BASIS OF PRESENTATION

These condensed consolidated interim financial statements for the six months ended 30 June 2012 has been prepared in accordance with International Accounting Standard ("IAS") 34, 'Interim Financial Reporting'. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Acquisition of China Coal Sales and Transportation Company Limited ("China Coal Sales and Transportation Company") in the six months ended 30 June 2012

In order to further enhance coal sales networks of the Group, on 27 March 2012, the Company entered into a share purchase agreement with China Coal Group, pursuant to which 100% equity interest in China Coal Sales and Transportation Company, was transferred to the Company for a consideration of RMB206,581,200. The acquisition date of this transaction is 30 June 2012, when the consideration was paid and control was obtained. China Coal Sales and Transportation Company is principally engaged in the trading of coal product in China.

As China Coal Group is the ultimate holding company of both the Company and China Coal Sales and Transportation Company, this acquisition is a transaction under common control, and the Company had accounted for it in a manner similar to a uniting of interests. Comparative information has been restated as if the operations of China Coal Sales and Transportation Company had been under the control of the Company since the beginning of the earliest period presented.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2012.

- IFRS 7 (Amendment) 'Disclosures – Transfers of financial assets'

  The amendment introduces new disclosure requirement on transfers of financial assets. Disclosure is required by class of asset of the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. The gain or loss on the transferred assets and any retained interest in those assets must be given. In addition, other disclosures must enable users to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. The disclosures must be presented by type of ongoing involvement. For example, the retained exposure could be presented by type of financial instrument (such as guarantees, call or put options), or by type of transfer (such as factoring of receivables, securitisations or securities lending). The amendment is applicable to annual periods beginning on or after 1 July 2011 with early adoption permitted.

The Group has adopted this amendment from 1 January 2012 and the adoption does not have a material impact on the Group's financial statements.

The Group has not early adopted any new or amended standards that have been issued but are not effective for the financial year beginning 1 January 2012.

4 SEGMENT INFORMATION

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, coke and coal-chemical product and mining machinery:

- Coal – Production and sales of coal;
- Coke and coal-chemical products – Production and sales of coke and coal-chemical products;
- Mining machinery – Manufacturing and sales of mining machinery.

2) Information about reportable segment profit, assets and liabilities

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

The measurement of profit or loss, assets and liabilities of the operating segments are the same as those described in the summary of significant accounting policies. 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.

b. Reportable segments' profit, assets and liabilities

	For the six months ended and as at 30 June 2012 (Unaudited)						
	Coal *RMB'000*	**Coke and coal-chemical product** *RMB'000*	**Machinery** *RMB'000*	**Others** *(Note (a))* *RMB'000*	**Non operating Segment** *RMB'000*	**Inter-segment Elimination** *RMB'000*	**Total** *RMB'000*
Revenue							
Total Revenue	37,501,853	2,344,797	4,531,808	2,058,369	–	(1,029,123)	45,407,704
Inter-segment revenue	(166,364)	–	(556,097)	(306,662)	–	1,029,123	–
Revenue from external customers	37,335,489	2,344,797	3,975,711	1,751,707	–	–	45,407,704
Profit/(loss) from operations	7,168,980	(118,083)	346,664	(188)	(157,273)	(6,681)	7,233,419
Profit/(loss) before tax expense	7,166,480	(173,049)	337,875	(27,200)	(28,670)	(6,681)	7,268,755
Interest income	96,147	36,899	4,559	1,496	695,450	(413,451)	421,100
Interest expense	(220,153)	(84,834)	(17,880)	(28,050)	(672,060)	413,451	(609,526)
Depreciation and amortisation	(1,941,565)	(85,606)	(73,508)	(44,892)	(7,747)	–	(2,153,318)
Share of profits/(loss) of associates and jointly controlled entities	107,073	(9,247)	5,712	–	104,437	–	207,975
Income tax expense	(1,743,600)	(1,807)	(51,640)	(16,747)	(3,132)	–	(1,816,926)
Other material non-cash items							
Provision for impairment of property, plant and equipment	(30,104)	(43,000)	–	–	–	–	(73,104)
Provision for impairment of other assets	(54,194)	11	(16,905)	(41,974)	–	–	(113,062)
Segment assets and liabilities							
Total assets	89,845,928	12,583,796	12,644,185	6,308,845	47,973,188	(4,087,665)	165,268,277
Including investment in associates and jointly controlled entities	696,835	590,905	73,462	–	7,098,535	–	8,459,737
Expenditures for non-current assets	8,174,328	2,480,087	701,840	177,444	11,816	–	11,545,515
Total liabilities	20,861,441	1,623,396	5,275,150	4,986,727	38,852,406	(3,824,660)	67,774,460

	For the six months ended 30 June 2011 (Unaudited and restated) and as at 31 December 2011 (Audited and restated)						
	Coal *RMB'000*	**Coke and coal-chemical product** *RMB'000*	**Machinery** *RMB'000*	**Others** *(Note (a))* *RMB'000*	**Non operating Segment** *RMB'000*	**Inter-segment Elimination** *RMB'000*	**Total** *RMB'000*
Revenue							
Total Revenue	34,845,017	2,768,315	4,362,388	2,152,565	–	(1,030,051)	43,098,234
Inter-segment revenue	(148,754)	–	(609,967)	(271,330)	–	1,030,051	–
Revenue from external customers	34,696,263	2,768,315	3,752,421	1,881,235	–	–	43,098,234
Profit/(loss) from operations	7,885,570	72,733	345,665	26,378	(204,279)	(67,402)	8,058,665
Profit/(loss) before tax expense	7,724,430	65,422	319,580	(13,791)	35,867	(56,476)	8,075,032
Interest income	34,462	29,423	3,815	704	356,569	(167,431)	257,542
Interest expense	(148,915)	(54,631)	(33,064)	(28,019)	(150,572)	167,431	(247,770)
Depreciation and amortisation	(1,821,428)	(88,447)	(70,180)	(44,434)	(4,285)	–	(2,028,774)
Share of profits of associates and jointly controlled entities	2,159	17,936	6,340	–	8,412	–	34,847
Income tax expense	(1,930,364)	(2,815)	(44,745)	(10,842)	–	–	(1,988,766)
Other material non-cash items							
Provision for impairment of property, plant and equipment	(34,085)	–	–	–	–	–	(34,085)
Provision for impairment of other assets	(35,415)	(11)	(3,044)	(1,074)	(14,924)	–	(54,468)
Segment assets and liabilities							
Total assets	78,458,973	11,340,490	11,284,526	6,235,177	56,856,156	(3,500,461)	160,674,861
Including investment in associates and jointly controlled entities	543,204	599,299	63,954	–	6,430,210	–	7,636,667
Expenditures for non-current assets	29,628,347	3,826,741	1,685,949	908,312	84,186	–	36,133,535
Total liabilities	16,757,702	1,023,838	4,646,256	4,397,768	40,933,134	(3,254,155)	64,504,543

Note:

(a) Others segment comprises of the four operating segments of the Group with the revenue below the quantitative thresholds. Those segments include two aluminium factories, three power generating plants, an equipment purchase agency and a tendering service provider. None of those segments has ever met any of the quantitative thresholds for determining reportable segments.

3) Geographical information

Analysis of revenue

	Six months ended 30 June	
	2012	**2011**
	Unaudited	**Unaudited and restated**
	RMB'000	*RMB'000*
Domestic markets	44,991,094	42,731,183
Asia-Pacific markets	416,610	364,908
Other overseas markets	–	2,143
	45,407,704	43,098,234

Note:

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

Analysis of non-current assets

	30 June 2012	**31 December 2011**
	Unaudited	**Audited and restated**
	RMB'000	*RMB'000*
Domestic markets	111,342,557	102,380,064
Asia Pacific markets	–	4,964
Other overseas markets	27,021	38,056
	111,369,578	102,423,084

4) Information about major customers

Revenue from top five customers of the Group for the six months ended 30 June 2012 represents approximately 19% of the Group's total revenue (for the six months ended 30 June 2011: 17%).

5 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2012	**2011**
	Unaudited	**Unaudited and restated**
	RMB'000	*RMB'000*
Interest expense:		
– Bank borrowings	513,932	361,360
– Provisions: unwinding of discount	22,258	21,897
– Long-term bonds	446,384	–
Other incidental borrowing costs and charges	1,304	5,776
Net foreign exchange (gains)/losses	(17,091)	22,476
Finance costs	966,787	411,509
Less: amounts capitalised on qualifying assets	(373,048)	(135,487)
Total finance costs	593,739	276,022
Finance income:		
– interest income on bank deposits	396,521	232,082
– interest income on loans to related parties	24,579	25,460
Total finance income	421,100	257,542
Net finance costs	172,639	18,480

Note:

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

	Six months ended 30 June	
	2012	**2011**
	Unaudited	**Unaudited**
Capitalisation rate used to determine the amount of finance costs eligible for capitalisation	5.68% – 7.05%	3.99% – 6.08%

6 INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	**2011**
	Unaudited	**Unaudited and restated**
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax *(Note (a))*	1,717,122	2,142,443
Deferred income tax	99,804	(153,677)
	1,816,926	1,988,766

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 2012 and 2011 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.

7 EARNINGS PER SHARE

Basic earnings per share for the six months ended 30 June 2012 and 2011 is calculated by dividing the profit attributable to equity holders of the Company by the number of 13,258,663,000 ordinary shares in issue during the period.

As the Company had no dilutive instruments for the six months ended 30 June 2012 and 2011, diluted earnings per share is the same as basic earnings per share.

8 DIVIDENDS

	Six months ended 30 June	
	2012	**2011**
	Unaudited	**Unaudited**
	RMB'000	*RMB'000*
Dividends		
– final dividends for 2010 *(Note (a))*	–	2,072,693
– final dividends for 2011 *(Note (b))*	2,851,145	–

Notes:

(a) The Board of Directors, in a meeting held on 22 March 2011, proposed to distribute a final dividend for 2010 to equity holders of the Company of RMB2,072,693,000 (RMB0.1563 Yuan per share), based on total number of shares which are in issue as at 31 December 2010. Such dividend distribution was approved by the shareholders' meeting held on 27 May 2011 and had been fully paid to shareholders in June 2011.

(b) The Board of Directors, in a meeting held on 27 March 2012, proposed to distribute a final dividend for 2011 to equity holders of the Company of RMB2,851,145,000 (RMB0.2150 Yuan per share), based on total number of shares which are in issue as at 31 December 2011. Such dividend distribution was approved by the shareholders' meeting held on 25 May 2012 and has been fully paid to shareholders in June and July 2012.

9 TRADE AND NOTES RECEIVABLES

	30 June 2012	**31 December 2011**
	Unaudited	**Audited and restated**
	RMB'000	*RMB'000*
Trade receivables, net *(Note (a))*	8,720,511	5,553,588
Notes receivables *(Note (b))*	1,834,895	2,423,313
	10,555,406	7,976,901

Notes:

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

	30 June 2012	**31 December 2011**
	Unaudited	**Audited and restated**
	RMB'000	*RMB'000*
Within 6 months	7,414,163	4,676,802
6 months – 1 year	850,406	525,072
1 – 2 years	376,205	271,322
2 – 3 years	168,773	158,306
Over 3 years	205,219	196,211
Trade receivables, gross	9,014,766	5,827,713
Less: Impairment of receivables	(294,255)	(274,125)
Trade receivables, net	8,720,511	5,553,588

Trade receivables for sale of coal, coking and other products are with credit terms of six months, while those for sale of machineries generally are with longer credit terms. There are no significant trade receivables that are past due but are not impaired.

(b) Notes receivables are bank accepted bills of exchange with maturity of less than one year.

10 TRADE AND NOTES PAYABLES

	30 June 2012	**31 December 2011**
	Unaudited	**Audited and restated**
	RMB'000	*RMB'000*
Trade payables *(Note (a))*	11,646,043	10,209,338
Notes payables	866,793	760,719
	12,512,836	10,970,057

Note:

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

	30 June 2012	**31 December 2011**
	Unaudited	**Audited and restated**
	RMB'000	*RMB'000*
Less than 1 year	10,289,513	9,271,266
1 – 2 years	869,209	665,405
2 – 3 years	382,182	150,938
Over 3 years	105,139	121,729
	11,646,043	10,209,338

11 COMMITMENTS

(a) Capital commitments

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

	30 June 2012	**31 December 2011**
	Unaudited	**Audited**
	RMB'000	*RMB'000*
Property, plant and equipment	15,841,734	10,797,613
Others	704,268	253,350
	16,546,002	11,050,963

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

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

	30 June 2012	**31 December 2011**
	Unaudited	**Audited**
	RMB'000	*RMB'000*
Land and buildings:		
– Within 1 year	119,956	76,727
– From 1 year to 5 years	338,850	199,683
– Over 5 years	913,117	87,032
	1,371,923	363,442

12 SUBSEQUENT EVENTS

On 12 July 2012, the Company filed a formal registration application with the National Association of Financial Market Institutional Investors for the issuance of medium-term notes with a total amount of RMB15 billion. Such application was formally registered on 15 August 2012. The Company plans to issue medium-term notes of RMB5 billion in the second half of 2012 with a term of 7 years.

CHAIRMAN'S STATEMENT

Dear Shareholders,

Since the beginning of 2012, global economy has suffered from a sluggish course of recovery and the deepening impact of the European debt crisis. With a noticeable slowdown in economic growth, China witnessed a reverse change of coal supply and demand as characterised by the plunging spot prices of thermal coal, especially the unexpected declining rate and the amplitude in May and June, posing a challenge to the Company's production and operation activities. Addressing the drastic coal market changes, the Company proactively realigned its marketing strategy, strengthened market development and improved the coordination among production, transportation and sales. By optimising commercial coal mix structure, improving product quality and curbing cost hikes to respond to the adverse market, the Company managed to maintain a steady and rapid growth both in production and sales.

In the first half of 2012, despite the unfavourable factors including stringent requirement on production safety, complicated geological conditions in mining areas and the tension between mining and stripping, the Company scheduled coal production in a scientific manner to tap on productive potential, leading to a notable increase in coal production. The Company's raw coal production volume was 70.34 million tonnes, representing an increase of 7.3% as compared to the same period of 2011, and the production volume of commercial coal reached 55.24 million tonnes, representing an increase of 6.4% as compared to the same period of 2011. The coal production volume of China Coal Pingshuo Company reached a record high of 44.39 million tonnes, representing an increase of 10.0% as compared to the same period of 2011. Steady quality improvements were recorded for commercial coal, as the Company optimised the mining process and enhanced equipment and technology management to increase raw coal washing ratio and strengthen the quality control over washing and selection process. Overall stability of production safety was achieved during the reporting period, which was attributed to the heightened ability in ensuring production safety under the firmly established people-oriented safety concept.

The Company continued to improve its marketing system to give full play to the advantages in integrated operation, while speeding up the deployment of sales and logistic networks to enable its market exploration and customer services to stay closer to the market. In spite of the increasing difficulties in coal sale, the Company maintained a rapid growth in sales scale for the first half of 2012. Coal sales volume reached 72.09 million tonnes, representing an increase of 8.7% as compared to the same period of 2011, of which, sales volume of self-produced coal reached 53.75 million tonnes, representing an increase of 7.2% as compared to the same period of 2011. Striving to secure railway capacity, the Company achieved coal transportation of 46.51 million tonnes through railways, recording an increase of 4.63 million tonnes as compared to the same period of 2011. Through flexible product strategy in tune with market needs, the commercial coal mix structure was further optimised. While consolidating thermal coal sales under long-term contracts, the Company took advantage of the high spot coal prices in the first quarter to increase the sales of spot coal, leading to a further improvement in product profitability. For the first half of 2012, the Company's sales revenue amounted to RMB45.408 billion, representing an increase of 5.4% as compared to the same period of 2011.

The Company continued to reinforce its cost management. Cost hikes were effectively curbed, mainly attributable to enhanced productivity, strengthened quota management, lower material consumption and renovations of obsolete facilities. During the first half of 2012, the unit cost of sales of self-produced commercial coal was RMB345.09 per tonne, representing an increase of 7.9% as compared to the same period of 2011 and remained flat as compared to that of the whole year of 2011. During the reporting period, the Company's profit before income tax decreased by 10.0% as compared to the same period of 2011 to RMB7.269 billion, mainly due to the plummeting spot coal prices and the higher losses recorded by the coking business. Profit attributable to the equity holders of the Company was RMB5.124 billion, representing a decrease of 8.2% as compared to the same period of 2011. Basic earnings per share were RMB0.39, representing a decrease of RMB0.03 as compared to the same period of 2011.

The Company accelerated the construction of coal mine projects in the first half of 2012. The main structures of Pingshuo East Open Pit Mine and ancillary coal preparation plant have been completed, and the dedicated railway line will be ready for operation in this October. The first working face of Wangjialing Coal Mine is to commence trial production in this October. The first working face of Hecaogou Coal Mine, with installation and commissioning completed, has commenced trial operation. The renovation and expansion project of Kongzhuang Coal Mine was basically completed. Xiaohuigou Coal Mine was preparing for construction. Meanwhile, the coal chemical projects were progressing steadily. In particular, the main structures and foundation construction of Tuke Fertiliser Project were close to completion, with major equipment starting installation. The coke oven gas produced chemical fertiliser project in Lingshi of Shanxi, with major equipment being installed, is expected to be completed by the end of 2012. Coal mining equipment projects also progressed smoothly. At Zhangjiakou Coal Machinery Equipment Industrial Park, the casting plant, hydraulic plant and mining chain plant are to be completed and the forging plant is to commence joint trial operation by the end of 2012. At Ordos Equipment Manufacturing Base, the main structures of four plants are expected to be completed by the end of 2012.

Accelerating the construction of its technological innovation system, the Company pressed forward the major technological projects and key researches, which heightened the supporting and guiding role of technologies. In the first half of 2012, a number of technological R&D centres expedited construction progress or commenced operation, and a series of coal mining and equipment manufacturing technologies passed acceptance inspection and were applied successfully. The Company was granted 50 patents, including 10 invention patents, maintaining the rapid growth momentum. The Company strived to develop "Green China Coal" in light of the development philosophy of "A green China Coal to benefit the nature", demonstrated by the prize of "Low Carbon Model of China 2012" from China News Agency and China Newsweek. The subsidiary China Coal Pingshuo Company was granted "The 7th session of China Baosteel Environmental Friendly Prize", the highest social recognition of environmental protection in China.

During the first half of 2012, the domestic coal industry showed a weakened pattern of oversupply as a result of the slower macro economic growth, higher hydropower output and the competitions from imported coal. In the second half of 2012, amid the pressure of slower macro economic growth, Chinese government will adhere to the key note of "Seeking Progress in Stability" and properly handle the targets of stabilising growth, upgrading structure and curbing inflation, with a higher priority to be placed on stabilising growth. The series of economic stimulus packages should gradually emerge as a driving force to the coal and related industries. In the long-term perspective, as coal is the most important fundamental energy source in China, the cyclical corrections in the industry will be instrumental to normalise market behaviours and thus beneficial for the sustainable and healthy industrial development. In the future, coal enterprises should still be able to maintain desirable profitability, as driven by the increasing industry concentration and improving management practices.

During the second half of 2012, China Coal Energy will keep a close eye on market evolution while enhancing the communication and coordination with major users and sectors in an aim to expand coal sales. Focuses will be placed on production organisation, coal quality management and cost control, including:

– exercising stringent control over costs and expenses. The Company will exercise rigid budget constraints on costs and strictly implement cost management responsibilities, aiming to cut down material consumption and procurement costs. While containing labour costs in a reasonable manner, the Company will actively introduce new technologies and processes to scale down costs through technological advance.

– reinforcing product quality management. In addition to geological exploration and forecast, the Company will improve the layout and continuation of working faces to reasonably arrange selective mining and mixed mining. Meanwhile, efforts will be taken to reinforce the management of coal transportation and loading and unloading as well as the control on washing and selection process, coupled with stricter assessment to optimise the commercial coal mix structure.

– consolidating and expanding market sales. Adopting flexible sales strategy to improve its decision-making and execution efficiency, the Company will secure major users while aggressively developing new customers with better sales service. The Company will ensure smooth coordination among production, transportation and sales, aiming at a higher contribution from the sales arm.

– actively organising coal production. The Company will speed up its efforts to eliminate the prominent bottlenecks including insufficient stripping of open pit mines and the tension in continuation, seeking to maximise equipment utilisation and productivity for continuous growth momentum of coal production.

– speeding up project construction. Through comprehensive planning, careful scheduling and proactive preliminary preparation, the Company will improve the coordination among major projects and key nodes and ancillary projects to meet the annual construction targets, aiming to put the projects on stream as soon as possible.

On behalf of the Board, I would like to express sincere appreciation for the longstanding trust and support from our Shareholders. Although the business environment of China Coal Energy was affected to a certain extent due to a slower macro economic growth, the Board and all staff of the Company forged ahead through the difficulties and met the production and operation targets for the first half of 2012. Looking into the second half of 2012, we are committed to forging through the adversities by strengthening overall management and adopting effective countermeasures to respond flexibly to market changes, striving to create sound return to Shareholders in the unfavourable cycle.

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 financial statements have been prepared in accordance with International Financial Reporting Standards.

I. OVERVIEW

In the first half of 2012, facing the adverse factors such as the slowdown in macro economic growth and the declining coal prices in the market, the Group endeavoured to adjust its sales strategies, strengthen the coordination among production, transportation and sales, improve products quality and enhance cost management, thereby achieving satisfactory operating results. For the six months ended 30 June 2012, the Group's total revenue (net of inter-segmental sales) amounted to RMB45.408 billion, representing an increase of 5.4% over the same period of 2011; profit before income tax amounted to RMB7.269 billion, representing a decrease of 10.0% over the same period of 2011; profit attributable to the equity holders of the Company amounted to RMB5.124 billion, representing a decrease of 8.2% over the same period of 2011; net cash generated from operating activities per share was RMB0.31, representing a decrease of RMB0.13 over the same period of 2011; and basic earnings per share was RMB0.39, representing a decrease of RMB0.03 over the same period of 2011.

	For the six months ended 30 June 2012 *(RMB100 million)*	**For the six months ended 30 June 2011 (Restated)** *(RMB100 million)*	**Increase/decrease** **Increase/ decrease** *(RMB100 million)*	**Increase/ decrease** *(%)*
Revenue	454.08	430.98	23.10	5.4
Profit before income tax	72.69	80.75	-8.06	-10.0
EBITDA	93.87	100.87	-7.00	-6.9
Profit attributable to the equity holders of the Company	51.24	55.83	-4.59	-8.2
Net cash generated from operating activities	41.04	57.71	-16.67	-28.9

As at 30 June 2012, the gearing ratio (total interest-bearing debts/(total interest-bearing debts + equity)) of the Group was 25.6%, representing an increase of 2.1 percentage points from the beginning of the year.

	As at 30 June 2012 *(RMB100 million)*	**As at 31 December 2011** (Restated) *(RMB100 million)*	**Increase/decrease** **Increase/ decrease** *(RMB100 million)*	**Increase/ decrease** *(%)*
Assets	1,652.68	1,606.75	45.93	2.9
Liabilities	677.74	645.05	32.69	5.1
Interest-bearing debts	334.77	294.64	40.13	13.6
Equity	974.94	961.70	13.24	1.4
Equity attributable to the equity holders of the Company	837.48	819.62	17.86	2.2

II. OPERATING RESULTS

(1) Consolidated Operating Results

1. Revenue

For the six months ended 30 June 2012, the Group's total revenue (net of inter-segmental sales) increased from RMB43.098 billion for the six months ended 30 June 2011 to RMB45.408 billion, representing an increase of 5.4%. The increase was mainly attributable to the growth in revenue of the Group's coal and coal mining equipment operations over the same period of 2011.

Changes in revenue net of inter-segmental sales from the Group's four operating segments of coal, coking, coal mining equipment and other operations for the six months ended 30 June 2012 in comparison with the six months ended 30 June 2011 were set out as follows:

	Revenue net of inter-segmental sales		**Increase/decrease**	
	For the six months ended 30 June 2012 *(RMB100 million)*	**For the six months ended 30 June 2011 (Restated)** *(RMB100 million)*	**Increase/ decrease** *(RMB100 million)*	**Increase/ decrease** *(%)*
Coal operations	373.35	346.96	26.39	7.6
Coking operations	23.45	27.68	-4.23	-15.3
Coal mining equipment operations	39.76	37.53	2.23	5.9
Other operations	17.52	18.81	-1.29	-6.9
Total	454.08	430.98	23.10	5.4

The proportion of revenue net of inter-segmental sales generated by each operating segment of the Group for the six months ended 30 June 2012 and the six months ended 30 June 2011 in the Group's total revenue were set out as follows:

	Proportion of revenue net of inter-segmental sales		
	For the six months ended 30 June 2012 *(%)*	**For the six months ended 30 June 2011 (Restated)** *(%)*	**Increase/ decrease** *(percentage points)*
Coal operations	82.2	80.5	1.7
Coking operations	5.2	6.4	-1.2
Coal mining equipment operations	8.8	8.7	0.1
Other operations	3.8	4.4	-0.6

2. Cost of sales

For the six months ended 30 June 2012, the Group's cost of sales increased from RMB33.005 billion for the six months ended 30 June 2011 to RMB35.933 billion, representing an increase of 8.9%.

Materials costs increased from RMB18.451 billion for the six months ended 30 June 2011 to RMB19.804 billion, representing an increase of 7.3%. The increase was mainly attributable to the growth in the Group's materials consumption as a result of its expansion of production scale and the rise in sales volume of proprietary coal trading, which led to a corresponding increase of materials costs.

Staff costs increased from RMB2.066 billion for the six months ended 30 June 2011 to RMB2.262 billion, representing an increase of 9.5%. The increase was mainly attributable to the increase in the cost of labour expended due to the rise in the number of staff as a result of (among others) the transfer of projects under construction to fixed assets of the subsidiaries of the Group, and the normal increase in average salary.

Depreciation and amortisation expenses increased from RMB1.909 billion for the six months ended 30 June 2011 to RMB2.082 billion, representing an increase of 9.1%. The increase was mainly attributable to the increase of production equipment and facilities being put into operation as a result of the transfer of projects under construction to fixed assets of the subsidiaries of the Group and the expansion of production scale.

Repair and maintenance costs increased from RMB502 million for the six months ended 30 June 2011 to RMB548 million, representing an increase of 9.2%. The increase was mainly attributable to the increase in expenditure on repair and maintenance of electric shovels and transportation vehicles in the open pit mines as well as fully mechanised mining equipment in the underground mines of the Group due to the higher utilisation rate of such equipment as a result of the increase in coal production volume.

Transportation costs increased from RMB4.786 billion for the six months ended 30 June 2011 to RMB5.459 billion, representing an increase of 14.1%. The increase was mainly attributable to the increase in the coal sales volume for which the Group bore the transportation costs during the reporting period and the increase in the port charges by RMB4/tonne since October 2011.

Sales taxes and surcharges increased from RMB693 million for the six months ended 30 June 2011 to RMB717 million, representing an increase of 3.5%. The increase was mainly attributable to the decrease of tariff over the same period of 2011 as a result of the decrease of coke export volumes in the first half of 2012 and the increase of local education surcharge over the same period of 2012 paid by the Group's subsidiaries located in Shanxi province in accordance with the regulation of the local government.

Other costs increased from RMB4.598 billion for the six months ended 30 June 2011 to RMB5.061 billion, representing an increase of 10.1%. The increase was mainly attributable to the rise in expenses incurred in relation to outsourcing stripping and fully mechanised mining as a result of the production need of the subsidiaries of the Group engaged in coal production, and the rise in the provision of water discharge fees for mining by China Coal Pingshuo Company in accordance with the regulation of the local government.

3. Gross profit and gross profit margin

For the six months ended 30 June 2012, gross profit of the Group decreased from RMB10.093 billion for the six months ended 30 June 2011 to RMB9.475 billion, representing a decrease of 6.1%, and gross profit margin decreased from 23.4% for the six months ended 30 June 2011 to 20.9%, representing a decrease of 2.5 percentage points.

The gross profit and gross profit margin of the Group's each operating segment for the six months ended 30 June 2012 and for the six months ended 30 June 2011 were as follows:

	Gross profit			Gross profit margin		
	For the six months ended 30 June 2012 *(RMB100 million)*	For the six months ended 30 June 2011 (Restated) *(RMB100 million)*	Increase/ decrease *(%)*	For the six months ended 30 June 2012 *(%)*	For the six months ended 30 June 2011 (Restated) *(%)*	Increase/ decrease *(percentage points)*
Coal operations	84.31	90.80	-7.1	22.5	26.1	-3.6
Self-produced commercial coal	82.26	88.85	-7.4	30.7	35.7	-5.0
Proprietary coal trading	1.60	1.75	-8.6	1.5	1.8	-0.3
Coking operations	0.01	1.38	-99.3	0.04	5.0	-4.96
Coal mining equipment operations	8.80	7.92	11.1	19.4	18.2	1.2
Other operations	1.75	1.44	21.5	8.5	6.7	1.8
Group	94.75	100.93	-6.1	20.9	23.4	-2.5

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

(2) Operating results of segments

1. Coal operating segment

- Revenue

Revenue from the coal operations of the Group was mainly generated from sales of coal produced from our own 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 agency services.

For the six months ended 30 June 2012, the total revenue from coal operations of the Group increased from RMB34.845 billion for the six months ended 30 June 2011 to RMB37.502 billion, representing an increase of 7.6%; revenue net of other inter-segmental sales increased from RMB34.696 billion for the six months ended 30 June 2011 to RMB37.335 billion, representing an increase of 7.6%.

For the six months ended 30 June 2012, revenue from sales of self-produced commercial coal of the Group increased from RMB24.911 billion for the six months ended 30 June 2011 to RMB26.775 billion, representing an increase of 7.5%; revenue net of other inter-segmental sales increased from RMB24.781 billion for the six months ended 30 June 2011 to RMB26.665 billion, representing an increase of 7.6%. Revenue from sales of proprietary coal trading increased from RMB9.739 billion for the six months ended 30 June 2011 to RMB10.489 billion, representing an increase of 7.7%. Revenue from coal import and export agency services decreased from RMB29 million for the six months ended 30 June 2011 to RMB24 million, representing a decrease of 17.2%.

Changes in the Group's coal sales volume and selling price for the six months ended 30 June 2012 in comparison with the six months ended 30 June 2011 were set out as follows:

		For the six months ended 30 June 2012		For the six months ended 30 June 2011 (Restated)		Increase/decrease		Increase/decrease	
		Sales volume *(10,000 tonnes)*	**Selling price** *(RMB/ tonne)*	**Sales volume** *(10,000 tonnes)*	**Selling price** *(RMB/ tonne)*	**Sales volume** *(10,000 tonnes)*	**Selling price** *(RMB/ tonne)*	**Sales volume** *(%)*	**Selling price** *(%)*
I. Self-produced commercial coal	Total	5,375	496	5,013	494	362	2	7.2	0.4
	(I) Thermal coal	5,372	496	4,944	482	428	14	8.7	2.9
	1. Domestic sale	5,333	494	4,910	480	423	14	8.6	2.9
	(1) Long-term contract	2,352	463	2,766	407	-414	56	-15.0	13.8
	(2) Spot trading	2,981	519	2,144	575	837	-56	39.0	-9.7
	2. Export	39	797	34	795	5	2	14.7	0.3
	(1) Long-term contract	39	797	34	795	5	2	14.7	0.3
	(2) Spot trading	☆	☆	☆	☆	–	–	–	–
	(II) Coking coal	3	812	69	1,377	-66	-565	-95.7	-41.0
	1.Domestic sale	3	812	69	1,377	-66	-565	-95.7	-41.0
	(1) Long-term contract	☆	☆	16	1,412	-16	–	-100.0	–
	(2) Spot trading	3	812	53	1,366	-50	-554	-94.3	-40.6
	2. Export	☆	☆	☆	☆	–	–	–	–
II. Proprietary coal trading	Total	1,665	630	1,451	671	214	-41	14.7	-6.1
	(II) Domestic resale	1,441	631	1,314	673	127	-42	9.7	-6.2
	(I) Self-operated exports	2*	3,144	3*	2,220	-1	924	-33.3	41.6
	(III) Import trading	217	599	134	620	83	-21	61.9	-3.4
	(IV) Transshipment trading	5	1,056	☆	☆	5	–	–	–
III. Import and export agency	Total	169	14★	169	17★	–	-3	–	-17.6
	(I) Import agency	41	6★	☆	☆	41	–	–	–
	(II) Export agency	128	17★	169	17★	-41	–	-24.3	–

☆: N/A
★: Agency service fee
* : Briquette export

• Cost of sales

For the six months ended 30 June 2012, cost of sales for the Group's coal operations increased from RMB25.765 billion for the six months ended 30 June 2011 to RMB29.071 billion, representing an increase of 12.8%. Changes in the major cost items were set out as follows:

Items	For the six months ended 30 June 2012 *(RMB100 million)*	For the six months ended 30 June 2011 (Restated) *(RMB100 million)*	Increase/decrease: Increase/ decrease *(RMB100 million)*	Increase/decrease: Increase/ decrease *(%)*
Materials costs (excluding cost of external purchases of raw coal for washing purpose and proprietary coal trading cost)	29.64	27.70	1.94	7.0
Cost of external purchases of raw coal for washing purpose	12.02	8.71	3.31	38.0
Proprietary coal trading cost	103.29	95.64	7.65	8.0
Staff costs	16.75	15.67	1.08	6.9
Depreciation and amortisation	17.52	15.82	1.70	10.7
Repairs and maintenance	5.06	4.39	0.67	15.3
Transportation costs	52.64	45.03	7.61	16.9
Coal sustainable development fund (reserve)	10.36	9.57	0.79	8.3
Outsourcing mining engineering fee	16.03	8.88	7.15	80.5
Sales taxes and surcharges	6.60	6.50	0.10	1.5
Mining resources compensation charges	1.83	1.73	0.10	5.8
Water discharge fees for mining (Water resources compensation charges)	2.90	1.86	1.04	55.9
Other costs*	16.07	16.15	-0.08	-0.5
Total costs of sales for coal operations	290.71	257.65	33.06	12.8

Note:*: Other costs include environmental restoration expenses incurred in relation to coal mining operation and expenses for small and medium projects etc. incurred in direct relation to coal production.

For the six months ended 30 June 2012, the Group's cost of sales of self-produced commercial coal was RMB18.549 billion, representing an increase of RMB2.523 billion or 15.7% over the same period of 2011. The unit cost of sales of self-produced commercial coal was RMB345.09/tonne, representing an increase of RMB25.40/tonne or 7.9% over the same period of 2011 while representing an increase of RMB0.38/tonne or 0.1% as compared to RMB344.71/tonne for the whole year of 2011.

Changes of the major items of the Group's unit cost of sales of self-produced commercial coal were as follows:

Items	For the six months 30 June 2012 (RMB/tonne)	For the six months 30 June 2011 (RMB/tonne)	Increase/decrease Increase/decrease (RMB/tonne)	Increase/decrease (%)	For the year ended 31 December 2011 (RMB/tonne)	Increase/decrease Increase/decrease (RMB/tonne)	Increase/decrease (%)
Materials costs (excluding the cost of external purchases of raw coal for washing purpose)	55.15	55.26	-0.11	-0.2	58.54	-3.39	-5.8
Cost of external purchases of raw coal for washing purpose	22.35	17.37	4.98	28.7	22.08	0.27	1.2
Staff costs	31.16	31.27	-0.11	-0.4	29.83	1.33	4.5
Depreciation and amortisation	32.60	31.56	1.04	3.3	35.00	-2.40	-6.9
Repairs and maintenance	9.42	8.77	0.65	7.4	11.58	-2.16	-18.7
Transportation costs	97.94	89.74	8.20	9.1	91.18	6.76	7.4
Sales taxes and surcharges	12.28	12.97	-0.69	-5.3	11.97	0.31	2.6
Coal sustainable development fund (reserve)	19.27	19.10	0.17	0.9	19.11	0.16	0.8
Mining resources compensation charges	3.40	3.45	-0.05	-1.4	3.50	-0.10	-2.9
Water discharge fees for mining (Water resources compensation charges)	5.40	3.71	1.69	45.6	6.64	-1.24	-18.7
Outsourcing mining engineering fees	29.83	17.72	12.11	68.3	24.05	5.78	24.0
Other costs	26.29	28.77	-2.48	-8.6	31.23	-4.94	-15.8
Unit cost of sales of self-produced commercial coal	345.09	319.69	25.40	7.9	344.71	0.38	0.1

The increase in the Group's unit cost of sales of self-produced commercial coal for the six months ended 30 June 2012 as compared to the same period of 2011 was mainly attributable to:

Unit cost of externally purchased raw coal for washing purpose increased by RMB4.98/tonne over the same period of 2011, which was mainly due to the optimisation of product structure of external purchases of raw coal for washing to adapt to the market condition, resulting in the increase in the cost of external purchases of raw coal for washing purpose.

Unit transportation costs increased by RMB8.20/tonne over the same period of 2011, which was mainly due to the expansion of the Group's operation scale and the increase in the coal sales volume for which the Group bore the transportation costs and the increase in the port charges by RMB4/tonne since October 2011, leading to a corresponding increase in the transportation costs.

Unit water discharge fees for mining (water resources compensation charges) increased by RMB1.69/tonne over the same period of 2011, which was mainly attributable to the increase in the provision of water discharge fees for mining by China Coal Pingshuo Company of the Group in accordance with the regulation of the local government.

Unit outsourcing mining engineering fees recorded an increase of RMB12.11/tonne over the same period of 2011, which was primarily due to the increase of the outsourcing stripping workload caused by the higher stripping volume of the preliminary operation of Pingshuo East Open Pit Mine of the Group, leading to a corresponding increase in the cost for outsourcing stripping.

Unit other costs decreased by RMB2.48/tonne over the same period of 2011, which was mainly due to the decrease in environmental restoration expenses of the subsidiaries of the Group and the expenses on small and medium engineering projects during the reporting period.

- Gross profit and gross profit margin

For the six months ended 30 June 2012, gross profit of the Group's coal operations segment decreased from RMB9.08 billion for the six months ended 30 June 2011 to RMB8.431 billion, representing a decrease of 7.1%, and gross profit margin decreased by 3.6 percentage points from 26.1% for the six months ended 30 June 2011 to 22.5%, which was mainly influenced by the market condition. The increase in the selling price of self-produced commercial coal in the first half of 2012 was less than the increase in the unit cost of sales, resulting in a decrease of 5.0 percentage points in the gross profit margin of self-produced commercial coal from 35.7% for the six months ended 30 June 2011 to 30.7%.

2. Coking operating segment

- Revenue

For the six months ended 30 June 2012, the Group's revenue from coking operations decreased from RMB2.768 billion for the six months ended 30 June 2011 to RMB2.345 billion (generated entirely from revenue of external sales), representing a decrease of 15.3%. This was mainly due to the drop in the selling price of coke as well as the decrease in the sales volume of self-produced coke and methanol as compared to the same period of 2011.

The revenue from the coke sales of the Group for the six months ended 30 June 2012 was RMB1.903 billion, representing a decrease of RMB351 million as compared to the same period of 2011.

Changes in the sales volume and selling price of coke of the Group for the six months ended 30 June 2012 and for the six months ended 30 June 2011 were set out in the table below:

	For the six months ended 30 June 2012		For the six months ended 30 June 2011		Increase/decrease		Increase/decrease	
	Sales volume *(10,000 tonnes)*	Selling price *(RMB/tonne)*	Sales volume *(10,000 tonnes)*	Selling price *(RMB/tonne)*	Sales volume *(10,000 tonnes)*	Selling price *(RMB/tonne)*	Sales volume *(%)*	Selling price *(%)*
Self-produced	90.2	1,601	102.4	1,711	-12.2	-110	-11.9	-6.4
Domestic sales	90.2	1,601	102.4	1,711	-12.2	-110	-11.9	-6.4
Exports	☆	☆	☆	☆	–	–	–	–
Proprietary trading	27.5	1,663	23.2	2,156	4.3	-493	18.5	-22.9
Domestic sales	27.2	1,659	15.0	1,824	12.2	-165	81.3	-9.0
Exports	0.3	2,004	8.2	2,761	-7.9	-757	-96.3	-27.4
Export agency	1.5	20*	9.7	27*	-8.2	-7	-84.5	-25.9

☆: N/A
* : Agency service fee

For the six months ended 30 June 2012, the Group's revenue from sales of methanol, coal tar, crude benzol and others, in the coking operations of the Group (excluding coke sales) amounted to RMB442 million, representing a decrease of RMB72 million over the same period of 2011, of which the sales volume of the self-produced methanol by China Coal Longhua Company of the Group contributed 64.7 thousand tonnes. Meanwhile, to avoid horizontal competition as required by the undertakings made by China Coal Group upon the listing of the A Shares of the Company, all methanol produced by China Coal Longhua Group of China Coal Group was sold externally via the Company after the 250,000 tonnes/year methanol project of China Coal Longhua Company of the Company in Heilongjiang was put into operation, which increased the sales volume of methanol by 29.7 thousand tonnes. In the first half of 2012, the Company's sales volume of methanol amounted to 94,400 tonnes with weighted average selling price of RMB2,049/tonne and operating revenue of RMB193 million.

- Cost of sales

For the six months ended 30 June 2012, sales costs of coking operations decreased from RMB2.63 billion for the six months ended 30 June 2011 to RMB2.344 billion, representing a decrease of 10.9%. The decrease was mainly attributable to the decrease in sales volume of self-produced coke and methanol as compared to the same period of 2011.

- Gross profit and gross profit margin

For the six months ended 30 June 2012, gross profit of the Group's coking operations segment decreased from RMB138 million for the six months ended 30 June 2011 to RMB1 million, representing a decrease of RMB137 million, and gross profit margin decreased from 5.0% for the six months ended 30 June 2011 to 0.04%, representing a decrease of 4.96 percentage points, which was mainly due to the dramatic decrease in the selling price of coke as compared to the same period of 2011.

3. Coal mining equipment operating segment

- Revenue

For the six months ended 30 June 2012, the Group's revenue from the coal mining equipment operations increased from RMB4.362 billion for the six months ended 30 June 2011 to RMB4.532 billion, representing an increase of 3.9%, of which the revenue net of other inter-segmental sales increased from RMB3.753 billion for the six months ended 30 June 2011 to RMB3.976 billion, representing an increase of 5.9%. The increase was mainly attributable to the increase in the sales volume of major coal mining equipment over the same period of 2011.

- Cost of sales

  For the six months ended 30 June 2012, sales costs of coal mining equipment operations increased from RMB3.57 billion for the six months ended 30 June 2011 to RMB3.652 billion, representing an increase of 2.3%. The increase was mainly attributable to the increase in sales volume of coal mining equipment over the same period of 2011.

- Gross profit and gross profit margin

  For the six months ended 30 June 2012, gross profit of the Group's coal mining equipment operations segment increased from RMB792 million for the six months ended 30 June 2011 to RMB880 million, representing an increase of 11.1%, and gross profit margin increased from 18.2% for the six months ended 30 June 2011 to 19.4%, representing an increase of 1.2 percentage points.

4. *Other operating segments*

For the six months ended 30 June 2012, the Group's total revenue from operations such as sales of primary aluminum and power generation decreased from RMB2.153 billion for the six months ended 30 June 2011 to RMB2.058 billion, representing a decrease of 4.4%, of which the revenue net of other inter-segmental sales decreased from RMB1.881 billion for the six months ended 30 June 2011 to RMB1.752 billion, representing a decrease of 6.9%. The gross profit of other business segments increased by 21.5% from RMB144 million for the six months ended 30 June 2011 to RMB175 million, and gross profit margin increased from 6.7% for the six months ended 30 June 2011 to 8.5%, representing an increase of 1.8 percentage points.

(3) Selling, general and administrative expenses

For the six months ended 30 June 2012, the Group's selling, general and administrative expenses increased from RMB2.052 billion for the six months ended 30 June 2011 to RMB2.295 billion, representing an increase of 11.8%. The increase was mainly attributable to the increase of RMB97 million in the provision for impairment of assets such as inventories, receivables and fixed assets during the reporting period over the same period of 2011 while the staff remuneration under the selling, general and administrative expenses increased by RMB63 million over the same period of 2011.

(4) Other net gains

For the six months ended 30 June 2012, the other net gains of the Group increased from RMB18 million for the six months ended 30 June 2011 to RMB49 million, representing an increase of RMB31 million. The increase was mainly attributable to the transfer of unpaid payables from subsidiaries of the Group.

(5) Profit from operations

For the six months ended 30 June 2012, the Group's profit from operations decreased from RMB8.059 billion for the six months ended 30 June 2011 to RMB7.233 billion, representing a decrease of 10.2%. Changes in profit from operations for each operating segment were as follows:

	For the six months ended 30 June 2012	For the six months ended 30 June 2011 (Restated)	Increase/decrease	
			Increase/ decrease	Increase/ decrease
	(RMB100 million)	*(RMB100 million)*	*(RMB100 million)*	*(%)*
The Group	72.33	80.59	-8.26	-10.2
Of which: Coal operations	71.69	78.86	-7.17	-9.1
Coking operations	-1.18	0.73	-1.91	-261.6
Coal mining equipment operations	3.47	3.46	0.01	0.3
Other operations	–	0.26	-0.26	-100.0

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

(6) Finance income and finance cost

For the six months ended 30 June 2012, the Group's net finance costs increased from RMB18 million for the six months ended 30 June 2011 to RMB173 million, representing an increase of RMB155 million, of which finance income increased from RMB258 million for the six months ended 30 June 2011 to RMB421 million, representing an increase of 63.2%. The increase was mainly attributable to a rise in the interest income. The finance costs increased from RMB276 million for the six months ended 30 June 2011 to RMB594 million, representing an increase of 115.2%, which was mainly due to the issuance of medium-term notes and the rise in the interest expenses of RMB361 million arising from bank borrowings increases, while the foreign exchange gain of RMB17 million (foreign exchange loss of RMB22 million in the same period of 2011) due to the changes in foreign exchange rate arising from the Japanese Yen borrowings by China Coal Pingshuo Company during the reporting period partially offset the increase in interest expenses.

(7) Share of profits of associates and jointly controlled entities

For the six months ended 30 June 2012, the Group's share of profits of associates and jointly controlled entities increased from RMB35 million for the six months ended 30 June 2011 to RMB208 million, representing an increase of RMB173 million. This was mainly attributable to the recognition of an investment gain of RMB85 million from Huajin Coking Coal Company by the Group in proportion to its shareholding during the reporting period following the split of Huajin Coking Coal Company. In addition, the investment gain of RMB123 million from other associates and jointly controlled entities recognised in proportion to the shareholding increased by RMB88 million as compared to the same period of 2011.

(8) Profit before income tax

For the six months ended 30 June 2012, the Group's profit before income tax decreased from RMB8.075 billion for the six months ended 30 June 2011 to RMB7.269 billion, representing a decrease of 10.0%.

(9) Income tax expenses

For the six months ended 30 June 2012, the Group's income tax expenses decreased from RMB1.989 billion for the six months ended 30 June 2011 to RMB1.817 billion, representing a decrease of 8.6%.

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

For the six months ended 30 June 2012, profit attributable to the equity holders of the Company decreased from RMB5.583 billion for the six months ended 30 June 2011 to RMB5.124 billion, representing a decrease of 8.2%.

III. CASH FLOW

As at 30 June 2012, the Group's cash and cash equivalents amounted to RMB14.811 billion, representing an increase of RMB2.935 billion as compared to the cash and cash equivalents of RMB11.876 billion as at 30 June 2011.

Net cash generated from operating activities decreased from RMB5.771 billion for the six months ended 30 June 2011 to RMB4.104 billion for the six months ended 30 June 2012, representing a decrease of 28.9%. This was mainly due to a decrease of RMB1.771 billion in the net cash inflow generated from business operations as a result of a decrease in the changes of operating payables of RMB1.769 billion of the Group over the same period of 2011 during the reporting period. In addition, cash used for the payment of interest recorded an increase of RMB185 million over the same period of 2011, cash inflow from interest income received recorded an increase of RMB480 million over the same period of 2011 and cash used for the payment of income tax recorded an increase of RMB191 million over the same period of 2011.

Net cash used in investing activities decreased from RMB17.442 billion for the six months ended 30 June 2011 to RMB12.203 billion for the six months ended 30 June 2012, representing a decrease of RMB5.239 billion. This was mainly attributable to an increase of RMB769 million in cash used for the purchases of land use rights, mining rights and intangible assets by the Group over the same period of 2011, an increase of RMB3.371 billion in cash used for the purchase of non-controlling interest of subsidiaries, the acquisition of subsidiaries and the payment of consideration in relation to acquisition made in previous years over the same period of 2011, as well as an increase of RMB2.067 billion in the cash paid for the purchases of property, plant and equipment over the same period of 2011. Furthermore, the amount of term deposits with initial terms exceeding three months arranged by the Group during the reporting period decreased by RMB2.133 billion as compared to the beginning of 2012 and generated a cash inflow (while the amount of term deposits with initial terms exceeding three months arranged during the same period of 2011 increased by RMB8.029 billion as compared to the beginning of 2011 and generated a cash outflow). As a result, net cash used in investing activities decreased over the same period of 2011.

Net cash inflow generated from financing activities increased from RMB996 million for the six months ended 30 June 2011 to RMB1.983 billion for the six months ended 30 June 2012, representing an increase of RMB987 million. This was mainly due to the increase of RMB2.348 billion in cash received from bank borrowings for production, operation and project construction over the same period of 2011 and the increase of RMB1.309 billion in cash used for the repayment of mature debts over the same period of 2011.

IV. LIQUIDITY AND SOURCES OF CAPITAL

For the six months ended 30 June 2012, the Group's funds were mainly derived from proceeds generated from business operations, bank borrowings and net amounts of funds raised in capital markets. The Group's funds were mainly used for investments in production facilities and equipment for coal, coking and coal mining equipment operations and others, repayment of debts owed by the Group, and the Group's working capital and general recurring expenditures.

The cash generated from the Group's operation, the net proceeds from share offering in the global and domestic capital markets, and the relevant banking facilities obtained will ensure the sufficiency of capital funds for future production and operation activities as well as project construction.

V. ASSETS AND LIABILITIES

(1) Property, plant and equipment

As at 30 June 2012, the net value of property, plant and equipment of the Group amounted to RMB66.487 billion, representing a net increase of RMB6.239 billion or 10.4% as compared to RMB60.248 billion as at 31 December 2011. This was mainly attributable to an increase in the property, plant and equipment resulted from the rise in investment in construction projects of the subsidiaries of the Group and the rise in equipment and facilities to fulfill production and operation needs.

(2) Mining and exploration rights

As at 30 June 2012, the net value of the Group's mining and exploration rights amounted to RMB31.43 billion, representing a net increase of RMB3.01 billion or 10.6% as compared to RMB28.42 billion as at 31 December 2011. This was mainly attributable to the increase of RMB3.179 billion in the mining and exploration rights as a result of the payment of resource consideration for the acquisition and consolidation of local mines by the subsidiaries of the Group as well as the amortisation of mining and exploration rights during the reporting period of RMB169 million.

(3) Other non-current assets

As at 30 June 2012, other non-current assets of the Group amounted to RMB1.931 billion, representing a decrease of RMB1.117 billion or 36.6% as compared to RMB3.048 billion as at 31 December 2011. This was mainly attributable to the transfer of realised investment and the advance payment for resource acquisition to mining and exploration rights by the subsidiaries of the Group according to the development progress of the projects.

(4) Trade and note receivables

As at 30 June 2012, the net amount of trade and note receivables of the Group amounted to RMB10.555 billion, representing an increase of RMB2.578 billion or 32.3% as compared to RMB7.977 billion as at 31 December 2011, of which the net amount of trade receivables amounted to RMB8.721 billion, representing an increase of RMB3.167 billion or 57.0% as compared to RMB5.554 billion as at 31 December 2011. As at 30 June 2012, the net trade receivables aged within six months of the Group amounted to RMB7.414 billion, accounting for 85.0% of the net trade receivables, representing an increase of RMB2.737 billion or 58.5% as compared to RMB4.677 billion as at 31 December 2011, accounting for 86.4% of the total trade receivables increased. The increase in trade receivables was mainly attributable to the relevant adjustment by the Group on its sales policies and settlement method of major customers in order to adapt to the market situation.

(5) Borrowings

As at 30 June 2012, the balance of borrowings of the Group amounted to RMB18.527 billion, representing an increase of RMB4.018 billion or 27.7% as compared to RMB14.509 billion as at 31 December 2011. This was mainly attributable to an increase in the bank borrowings used for the turnover of production, construction and operation of the subsidiaries of the Group, of which the balance of long-term borrowings (including the portion due within one year) was RMB17.272 billion, representing an increase of RMB5.018 billion as compared to RMB12.254 billion as at 31 December 2011, and the balance of short-term borrowings amounted to RMB1.255 billion, representing a decrease of RMB1 billion as compared to RMB2.255 billion as at 31 December 2011.

(6) Long-term Debentures

As at 30 June 2012, the balance of long-term debentures of the Group amounted to RMB14.95 billion as a result of the issuance of medium-term notes by the Group.

VI. SIGNIFICANT PLEDGE OF ASSETS

The Group had no significant pledge of assets during the reporting period.

VII. SIGNIFICANT INVESTMENT

For details of significant investment of the Group during the reporting period, please refer to the chapter "XI. Other Major Events" under the section headed “Disclosure of Major Events” in this report.

VIII. MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisition and disposal 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 had liabilities denominated in foreign currencies, including Japanese Yen and US dollars. Meanwhile, the Group needs foreign currencies, mainly US dollars, to pay for imported equipment and accessories. As such, the fluctuations in foreign exchange rates of RMB to any other foreign currencies will have bilateral compound effects on the operating results of the Group. The appreciation of RMB would decrease the Group’s export income but also decrease the cost for the import of equipment and accessories as well as the repayment of external debts.

X. RISKS OF COMMODITY VALUE

The Group was 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 coking companies in China, the Group’s operational activities are subject to the regulations 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 coal and coal chemical related industries promulgated by the Chinese government may have an impact on the operational activities of the Group.

XII. CONTINGENT LIABILITIES

(1) Bank guarantees

As at 30 June 2012, the Group provided guarantees of RMB2.588 billion to secure the bank borrowings of its associates in proportion to the Group's shareholdings in the respective companies. The guarantees include RMB1.993 billion to Huajin Coking Coal Company (RMB1.311 billion of which would be used for the construction of Wangjialing Coal Mine, which is under the China Coal Huajin Company established upon the split of Huajin Coking Coal Company. The change in beneficiary of the guarantee has been approved by the Board of the Company and been completed on 20 August 2012); and RMB595 million to Shanxi Pingshuo Gangue-fired Power Generation Company Limited.

(2) Environmental protection responsibilities

Environmental protection laws and regulations have been fully implemented in China. However, the management of the Group is of the opinion that other than those that have been accounted for in the financial statements, there are currently no other environmental protection liabilities 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 2012, the Group was not involved in any material litigation or arbitration, and to the knowledge of the Group, there is no material litigation or arbitration pending or threatened against or involving the Group.

BUSINESS PERFORMANCE

I. Coal Operations

(1) Coal production volume maintained its growth momentum

In the first half of 2012, having overcome the difficulties of intensified pressures in production safety and the tension in the continuation of open pit mining and stripping, the Company stepped up efforts to optimize production organization and enhance the coal production volume. The production volume of raw coal amounted to 70.34 million tonnes, representing an increase of 4.81 million tonnes or 7.3% as compared to the same period of 2011. The production volume of commercial coal reached 55.24 million tonnes, representing an increase of 3.33 million tonnes or 6.4% as compared to the same period of 2011.

China Coal Pingshuo Company scientifically arranged the continuation of its production and fully utilized the production capacity of open pit mines, with production volume of commercial coal reaching 44.39 million tonnes, representing an increase of 10.0% as compared to the same period of 2011. Shanghai Energy Company accelerated the renovation of coal mines while carefully scheduling its coal production, with the production volume of commercial coal reaching 3.90 million tonnes, which remained flat as compared to the same period of 2011. By striving to solve the transportation bottlenecks, Dongpo Company produced 4.15 million tones of commercial coal, representing an increase of 18.6% as compared to the same period of 2011. Shuozhong Company and Dazhong Company enhanced the production efficiency by optimizing the coal washing and selection system, with aggregated commercial coal production volume 5.38 million tonnes, representing an increase of 18.5% as compared to the same period of 2011. In the first half of 2012, the structure of commercial coal mix was improved significantly through flexible adjustment on mining proposals, strengthening coal quality management and optimizing the washing and selection processes by each subsidiary of the Group.

Commercial coal production (10 thousand tonnes)	**January to June 2012**	**January to June 2011**	**Change** *(%)*
China Coal Pingshuo Company	4,439	4,035	10.0
Shanghai Energy Company	390	392	-0.5
Huajin Coking Coal Company	–	115	–
China Coal Huajin Company	13	–	–
Dongpo Company	415	350	18.6
Nanliang Company	72	84	-14.3
Shuozhong Company	334	302	10.6
Dazhong Company	204	152	34.2
Shaanxi Company	5	–	–
Total	5,524	5,191	6.4

Note: 1. There was certain intra-group transactions of commercial coal in the Company, the volume of which amounted to 3.48 million tonnes for January to June 2012 and 2.39 million tonnes for the same period of 2011.

2. Commercial coal production for January to June 2011 included 1.15 million tonnes from Huajin Coking Coal Company before its equity split.

The Company accelerated the construction of safe and highly efficient mines and continued to expand its investment in production safety, leading to an increase in the coal production efficiency as compared to the same period of 2011 and a further improvement in the safety assurance capability of the Company. In the first half of 2012, the raw coal production efficiency of the Company amounted to 46.1 tonnes/worker-shift, representing an increase of 2.8% as compared to the same period of 2011. The overall coal production safety remained stable.

(2) Coal sales volume witnessed relatively fast growth

Against the backdrop of severe and reversed coal market situation in the first half of 2012, the Company took the initiative to explore the advantage of mega sales and adopted flexible and effective measures to strengthen the relations with major users as well as develop new customers. The sales volume of commercial coal reached 72.09 million tonnes, representing an increase of 5.76 million tonnes or 8.7% as compared to the same period in 2011.

Sales volume of commercial coal (10 thousand tonnes)			**January to June 2012**	**January to June 2011** (Restated)	**Change** *(%)*
(1)	**Domestic sales of self-produced coal**		5,336	4,979	7.2
	By region:	North China	2,047	2,205	-7.2
		East China	2,266	2,053	10.4
		South China	995	704	41.3
		Others	28	17	64.7
	By coal type:	Thermal coal	5,333	4,910	8.6
		Coking coal	3	69	-95.7
	By contract:	Long-term contract	2,352	2,782	-15.5
		Spot trading	2,984	2,197	35.8
(2)	**Self-produced coal export**		39	34	14.7
	By region:	Taiwan, China	7	22	-68.2
		Korea	☆	3	–
		Japan	32	9	255.6
		Others	☆	☆	–
	By coal type:	Thermal coal	39	34	14.7
		Coking coal	☆	☆	–
	By contract:	Long-term contract	39	34	14.7
		Spot trading	☆	☆	–
(3)	**Proprietary trading**		1,665	1,451	14.7
	Of which:	Self-operated exports	2	3	-33.3
		Domestic resale	1,441	1,314	9.7
		Import trading	217	134	61.9
		Transshipment trading	5	☆	–
(4)	**Import & export agency sales**		169	169	–
	Of which:	Import agency	41	☆	–
		Export agency	128	169	-24.3
Total			7,209	6,633	8.7

☆: N/A

Sales of self-produced coal maintained a faster growth. In the first half of 2012, sales volume of self-produced coal reached 53.75 million tonnes, representing an increase of 3.62 million tonnes or 7.2% over the same period of 2011. In particular, domestic sales of self-produced coal reached 53.36 million tonnes, representing an increase of 7.2% over the same period of 2011. Export of self-produced coal reached 390,000 tonnes, representing an increase of 14.7% over the same period of 2011.

Substantial growth in sales volume of proprietary coal trading. The Company expanded the sales of proprietary coal trading to 16.65 million tonnes in the first half of 2012, recording an increase of 2.14 million tonnes or 14.7% as compared to the same period of 2011. In particular, domestic sales volume reached 14.41 million tonnes, representing an increase of 9.7% as compared to the same period of 2011; import sales volume reached 2.17 million tonnes, representing an increase of 61.9% as compared to the same period of 2011.

Coal railway transportation volume grew steadily. The Company enhanced the communication and coordination with railway authorities and actively organized the transportation of coal with reasonable arrangements of sales flow and delivery means to streamline the coordination among production, transportation and sales. The railway transportation volume amounted to 46.51 million tonnes, representing an increase of 4.63 million tonnes as compared to the same period of 2011, which further expanded the downstream market and enhanced the profitability of products.

Proportion of spot trading coal sales increased. While consolidating the sales volume of thermal coal in long term contract, the Company also captured the favourable opportunities of the higher coal price in spot market during the first quarter of 2012. Efforts were made to increase the sales volume of spot trading by actively exploring customers other than the power industry. Spot trading accounted for 55.9% of the domestic sales of self-produced coal, representing an increase of 11.8 percentage points in the first half of 2012 as compared to the same period of 2011.

An increase in weighted average selling price of self-produced coal. In view of the dramatic decline in the spot price of thermal coal in the first half of 2012, the Company adopted various measures, including the control over raw coal quality, the optimization of the structure of commercial coal mix, the expansion of the spot sales in a timely manner and the adjustment of the product flow and customers' structure. The weighted average selling price of self-produced coal increased to RMB496/tonne in the first half of 2012, representing an increase of RMB2/tonne as compared to the same period of 2011.

II. Coking Operations

In the first half of 2012, the domestic coke industry remained sluggish due to the slowdown in the production growth of downstream industries such as steel. The Company continued to strengthen its internal management, stepped up its control over cost, enhanced the proportion of railway transportation as well as reasonably arranged the coke production to minimize losses. Coke production volume was 920,000 tonnes, representing a decrease of 10.7% as compared to the same period of 2011. Coke sales volume amounted to 1.19 million tonnes, representing a decrease of 11.9% as compared to the same period of 2011, of which the sales volume of self-produced coke was 900,000 tonnes, representing a decrease of 11.8% as compared to the same period of 2011. The weighted average selling price of self-produced coke of the Company was RMB1,601/tonne, representing a decrease of 6.4% as compared to the same period of 2011. The project that transfers coke oven gas into chemical fertilizer of the Company is expected to be completed by the end of 2012, which shall significantly boost the coking operations upon its operation.

Sales volume of coke (10 thousand tonnes)	**January to June 2012**	**January to June 2011**	**Change** *(%)*
Self-produced coke	90	102	-11.8
Of which: Metallurgical coke	74	87	-14.9
Foundry coke	16	15	6.7
Proprietary and agency	29	33	-12.1
Total	119	135	-11.9

During the reporting period, the Company produced 65,000 tonnes of methanol, representing a decrease of 17,000 tonnes as compared to the same period of 2011.

III. Coal Mining Equipment Operations

In the first half of 2012, the coal mining equipment operations continued to maintain a steady growth in terms of production and sales volume. Total production value of coal mining equipment operations was RMB4.65 billion, representing an increase of 6.2% as compared to the same period of 2011. The production volume of coal mining equipment reached 208,000 tonnes, representing an increase of 4.5% as compared to the same period of 2011, of which 12,907 units (sets) were major coal mining equipment. The market shares of major coal mining equipment such as armoured face conveyors, high-end hydraulic roof supports and high-end road headers remained in the leading position in the domestic market.

The capability of technological innovation of coal mining equipment was further enhanced. The construction project of National Energy Coal Mining Equipment R&D Centre was well under way. The remote control technology and monitoring system for road headers and the entire set of technology and equipment for ultra thick high coal seam mining passed acceptance inspection while the trackless rubber-tyred vehicles with explosion-proof battery was applied successfully. The Company completed the underground field test of the entire set of equipment for the manless automatic work face of thin coal seam drum shearer, which featured a maximum daily production capacity of 2,400 tonnes and a minimum mining height of 1.3m, being in the leading position in China with broad market prospect.

Production value of coal mining equipment (RMB100 million)	**January to June 2012**	**January to June 2011**	**Change** *(%)*
Conveyor equipment	17.6	17.3	1.7
Support equipment	13.9	13.9	–
Road header	4.5	3.8	18.4
Shearer	5.0	3.8	31.6
Electric mining motor	5.5	5.0	10.0
Total	46.5	43.8	6.2

IV. Other Operations

In the first half of 2012, the production volume of the Company's primary aluminum amounted to 57,000 tonnes, representing an increase of 9.6% over the same period of 2011. Electricity generated reached 2.08 billion Kwh, which remained flat as compared to the same period of 2011.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company always attaches great importance to corporate governance and the enhancement of its transparency. It strengthens its internal control continuously to attain legitimate and efficient operations in accordance with the requirements of domestic and overseas regulatory authorities on corporate governance, thereby maximising Shareholders' returns from sound corporate governance.

During the reporting period, the Company had complied with the principles and code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules and the Code on Corporate Governance Practices which became invalid from 1 April 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules. Having made specific enquiries, the Company confirmed that each director and supervisor of the Company had complied with the Model Code during the reporting period.

AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the interim report of the Company on 20 August 2012. In addition, the Company's external auditor, PricewaterhouseCoopers, has performed an independent review of the condensed consolidated interim financial information of the Company for the six months ended 30 June 2012 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 does not constitute an audit, PricewaterhouseCoopers confirmed in writing that nothing has come to their attention which would cause them to believe that the interim financial information has not, in any material aspect, been properly prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting".

DISCLOSURE OF MAJOR EVENTS

I. Distribution of Final Dividends for 2011

The Company's 2011 profit distribution plan was approved at the Company's 2011 Annual General Meeting held on 25 May 2012. Cash dividends of RMB2,851,145,100 were distributed to the Shareholders, representing 30% of the net profit attributable to the Shareholders of the Company under the PRC Accounting Standards of Business Enterprises, which was RMB9,503,817,000 (the lower of post-tax profits in the financial statements prepared in accordance with the PRC

Accounting Standards of Business Enterprises and International Financial Reporting Standards). The distribution was based on the Company's total issued share capital of 13,258,663,400 shares, representing a dividend of RMB0.215 per share (inclusive of tax). The aforesaid final dividends were duly paid to the Shareholders of the Company on 14 June 2012 (A Shares) and 18 July 2012 (H Shares) respectively.

Pursuant to the "Notice Regarding Questions on Withholding Enterprise Income Tax When PRC Resident Enterprises Distribute Dividends to Foreign Non-resident Enterprise Shareholders of H Shares" (Guo Shui Han [2008] No. 897) issued by the State Administration of Taxation of the PRC, the Company shall withhold enterprise income tax at a tax rate of 10% on cash dividends paid to H Shareholders who are foreign non-resident enterprises. Pursuant to the provisions regarding individual income tax on dividends and bonuses from listed companies imposed by the State Administration of Taxation and the Ministry of Finance of the PRC, cash dividends paid to A Shareholders of the Company who are natural persons shall be subject to an individual income tax with 50% of the dividends as taxable income and withholding of individual income tax by the Company at a tax rate of 20% according to the provisions of current tax law.

Pursuant to the "Notice on the Issues on Levy of Individual Income Tax after the Abolishment of the Document Guo Shui Fa [1993] No. 045" (Guo Shui Han [2011] No. 348) issued by the State Administration of Taxation, where overseas resident individual shareholders obtain dividends and bonuses from shares issued in Hong Kong by the PRC non-foreign-invested enterprises, such dividends and bonuses shall, according to the category of "interests, dividends, and bonus income", generally be subject to individual income tax to be withheld by the withholding agent at a tax rate of 10%. However, the tax rates for respective overseas resident individual shareholders shall be determined according to the relevant tax treaties signed between the countries where they are residing and Mainland China.

II. Interim Profits Distribution Plan for 2012

The Company will not distribute any interim dividends for 2012.

III. Amendment to the Articles of Association

On 25 May 2012, in order to comply with the amendment to the requirements of the Listing Rules and the Code on Corporate Governance Practices of the HKSE as well as governance requirements of the domestic regulatory, the resolution in relation to the amendment to the Articles of Association was considered and approved at the Company's 2011 Annual General Meeting.

For details, please refer to the relevant announcement released on the websites of SSE, HKSE and the Company on 25 May 2012.

IV. Assets Transactions

During the reporting period, there were no material assets transactions.

V. Purchase, Sale or Redemption of Listed Securities of the Company

For the six months ended 30 June 2012, the Company and its subsidiaries had not purchased, sold or redeemed any securities (the term "securities" has the meaning ascribed to it under the Listing Rules) of the Company.

VI. Other Major Events

(1) Investment in the Construction of Engineering Plastics Project in Ordos

On 27 March 2012, the resolution on Investment in the Construction of Engineering Plastics Project in Ordos was considered and approved at the First Meeting in 2012 of the Second Session of the Board, agreeing that the Company would invest in the construction of Engineering Plastics Project in Ordos. The project obtained the approval (Nei Fa Gai Chan Ye Zi [2011] No.49) from Inner Mongolia Development and Reform Commission in January 2011. The proprietary technologies of the project has been basically determined while the basic design and construction of the project have progressed smoothly. For details, please refer to the relevant announcement released on the websites of SSE, HKSE and the Company on 27 March 2012.

(2) Acquisitions of China Coal Sales and Transportation Company and TSG

On 27 March 2012, the resolutions on the Proposal on Acquisition of 100% equity interest in China Coal Sales and Transportation Company and the Proposal on Acquisition of 80% equity interest in Shanxi Zhongxin Tangshangou Coal Mine Company Limited were considered and approved at the First Meeting in 2012 of the Second Session of the Board, agreeing that the Company would acquire 100% equity interest in China Coal Sales and Transportation Company and 80% equity interest in TSG respectively. China Coal Sales and Transportation Company has currently completed the change of business registration with the relevant administration for industry and commerce and become a wholly-owned subsidiary of the Company while the acquisition of TSG is being worked on in a proactive manner.

For details, please refer to the relevant announcement released on the websites of SSE, HKSE and the Company on 27 March 2012.

(3) Issues on the relocation of the neighbouring residents of China Coal and Coke Jiuxin Limited

In May 2010, the Ministry of Environmental Protection of China issued the Circular on Examination Results after Environmental Protection Inspection on Listed Companies, which addressed the environmental issues on the relocation of the neighbouring residents of China Coal and Coke Jiuxin Limited (a subsidiary of the Company) in Lingshi. The Company has attached great importance to the issues and reached initial agreement with local government on the relocation matters.

VII. Subsequent Event

On 16 August 2012, the Board announced that the Company had entered into the promoters' agreement with China Railway Investment Corporation* (中國鐵路建設投資公司) ("China Railway Investment") and the other promoters, pursuant to which the parties had agreed to establish Mengxi-Huazhong Railway Co., Ltd. ("Mengxi-Huazhong Railway Co") with an initial registered capital of RMB1 billion, which is expected to progressively increase to RMB54 billion. Upon completion of the establishment of Mengxi-Huazhong Railway Co, the Company will own as to 10% of the equity interest of Mengxi-Huazhong Railway Co, China Railway Investment will own as to 20% of the equity interest of Mengxi-Huazhong Railway Co and the other promoters together will own as to 70% of the equity interest of Mengxi-Huazhong Railway Co. For details, please refer to the relevant announcement released on the websites of SSE, HKSE and the Company on 16 August 2012.

FORWARD-LOOKING STATEMENTS

The Company would like to draw the readers' attention to the forward-looking nature of certain statements above. These forward-looking statements are subject to various risks, uncertainties and assumptions, which are beyond the Company's control. Such potential risks and uncertainties include those concerning the market conditions of coal, coal mining equipment and coking operations in China, the changes of the regulatory environment and the Company's capability 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 do not serve as a guarantee of the Company's future performance. The Company does not intend to update these forward-looking statements. Actual results of the Company's performance may differ from the forward-looking statements due to a number of factors.

DEFINITIONS

The Group/The Company/ Company/China Coal Energy	China Coal Energy Company Limited, unless the context otherwise specifies, also includes all of its subsidiaries
Board of the Company/Board	the board of directors of China Coal Energy Company Limited
Directors	the directors of the Company, including all the executive directors, non-executive directors and independent non-executive directors
China Coal Group	China National Coal Group Corporation, the controlling shareholder of the Company
Ministry of Finance	the Ministry of Finance of the People's Republic of China
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
HKSE	The Stock Exchange of Hong Kong Limited
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
China Coal Pingshuo Company	formally known as China Coal Pingshuo Coal Industry Company Limited and renamed as China Coal Pingshuo Group Co., Ltd. on 19 July 2012, a wholly-owned subsidiary of the Company
Shanghai Energy Company	Shanghai Datun Energy Resources Company Limited, a controlling subsidiary of the Company
China Coal Huajin Company	Shanxi China Coal Huajin Energy Co., Ltd.
Dongpo Company	Shanxi China Coal Dongpo Coal Industry Company Limited
Nanliang Company	Shaanxi Nanliang Coal Company Limited
Shuozhong Company	Shuozhou China Coal Pingshuo Energy Company Limited
Dazhong Company	Datong China Coal Export Base Development Company Limited

Shaanxi Company	China Coal Shaanxi Yulin Energy Chemical Company Limited
Huajin Coking Coal Company	Huajin Coking Coal Company Ltd
China Coal and Coke	China Coal and Coke Holdings Limited
China Coal Sales and Transportation Company	China Coal Sales and Transportation Company Limited
TSG	Shanxi Zhongxin Tangshangou Coal Mine Company Limited
China Coal Longhua Company	China Coal Heilongjiang Coal Chemical Company Limited, a wholly-owned subsidiary of the Company
China Coal Longhua Group	China Coal Heilongjiang Coal Chemical Engineering (Group) Company Limited, a controlling subsidiary of China Coal Group
RMB	RMB yuan

By Order of the Board
China Coal Energy Company Limited
Chairman of the Board, Executive Director
Wang An

Beijing, the PRC, 21 August 2012

As at the date of this announcement, the executive directors of the Company are Wang An and Yang Lieke; the non-executive directors of the Company are Peng Yi and Li Yanmeng; and the independent non-executive directors of the Company are Zhang Ke, Wu Rongkang, Zhang Jiaren, Zhao Pei and Ngai Wai Fung.

The interim report of the Company for the six months ended 30 June 2012 will be despatched to the shareholders of the Company shortly and will also be published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company's website (www.chinacoalenergy.com).

* *For identification purposes only*