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 2014

Financial highlights:

- Revenue of the Group in the first half of 2014 was RMB35.435 billion, representing a decrease of RMB4.963 billion (or 12.3%) over the same period of 2013.

- Profit attributable to the equity holders of the Company in the first half of 2014 was RMB780 million, representing a decrease of RMB2.441 billion (or 75.8%) over the same period of 2013.

- Basic earnings per share during the reporting period were RMB0.06, representing a decrease of RMB0.18 over the same period of 2013.

- EBITDA in the first half of 2014 was RMB5.088 billion, representing a decrease of RMB2.911 billion (or 36.4%) over the same period of 2013.

- The Company does not distribute interim dividends for 2014.

The Board announces the interim results of the Group for the six months ended 30 June 2014 prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". 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

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2014

		Six months ended 30 June	
		2014	**2013**
		Unaudited	**Unaudited**
	Note	*RMB'000*	*RMB'000*
Revenue	4	35,434,584	40,398,169
Cost of sales			
Materials		(14,406,057)	(16,360,639)
Staff costs		(2,208,959)	(2,284,304)
Depreciation and amortisation		(2,494,984)	(2,524,698)
Repair and maintenance		(395,436)	(560,230)
Transportation costs		(6,276,563)	(5,910,015)
Sales taxes and surcharges		(622,101)	(653,888)
Others		(4,701,551)	(4,866,799)
Cost of sales		(31,105,651)	(33,160,573)
Gross profit		4,328,933	7,237,596
Selling, general and administrative expenses		(2,101,698)	(2,034,747)
Other income		(157)	2,346
Other gains, net		63,468	15,816
Profit from operations		2,290,546	5,221,011
Finance income	5	246,873	298,993
Finance costs	5	(1,141,353)	(455,105)
Share of profits of associates and joint ventures		92,262	141,085
Profit before income tax		1,488,328	5,205,984
Income tax expense	6	(431,246)	(1,307,228)
Profit for the period		1,057,082	3,898,756
Profit attributable to:			
Equity holders of the Company		780,224	3,221,388
Non-controlling interests		276,858	677,368
		1,057,082	3,898,756
Basic and diluted earnings per share for the profit attributable to the equity holders of the Company (RMB Yuan)	7	0.06	0.24
Dividends distributed	8	1,073,952	2,784,319
Dividends proposed after the balance sheet date		–	–

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended 30 June	
	2014	**2013**
	Unaudited	**Unaudited**
	RMB'000	*RMB'000*
Profit for the period	1,057,082	3,898,756
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss		
Fair value changes on available-for-sale financial assets, net of tax	97	(2,106)
Currency translation differences	12,764	(25,887)
Total items that may be reclassified subsequently to profit or loss	12,861	(27,993)
Other comprehensive income/(loss) for the period, net of tax	12,861	(27,993)
Total comprehensive income for the period	1,069,943	3,870,763
Total comprehensive income attributable to:		
Equity holders of the Company	793,085	3,193,395
Non-controlling interests	276,858	677,368
	1,069,943	3,870,763

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30 JUNE 2014

	Note	30 June 2014 Unaudited *RMB'000*	31 December 2013 Audited *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		118,208,664	110,015,200
Investment properties		56,902	44,352
Land use rights		3,957,279	4,005,591
Mining and exploration rights		33,151,044	32,566,844
Intangible assets		170,311	159,104
Investments in associates		11,064,931	9,560,189
Investments in joint ventures		586,060	526,300
Available-for-sale financial assets		2,030,732	2,020,603
Deferred income tax assets		646,525	454,687
Long-term receivables		205,797	40,274
Other non-current assets		6,858,881	9,399,141
Total non-current assets		176,937,126	168,792,285
Current assets			
Inventories		8,688,558	6,806,493
Trade and notes receivables	9	14,517,636	12,895,477
Prepayments and other receivables		7,679,434	7,004,845
Restricted bank deposits		1,944,382	1,583,835
Term deposits with initial terms of over three months		7,423,414	8,204,597
Cash and cash equivalents		15,438,718	11,232,575
Total current assets		55,692,142	47,727,822
TOTAL ASSETS		232,629,268	216,520,107
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		13,258,663	13,258,663
Reserves		44,171,674	43,969,215
Retained earnings			
– Dividends proposed after the balance sheet date		–	1,072,681
– Others		30,104,575	29,510,465
		87,534,912	87,811,024
Non-controlling interests		15,994,300	15,282,116
Total equity		103,529,212	103,093,140

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2014

	Note	30 June 2014 Unaudited *RMB'000*	31 December 2013 Audited *RMB'000*
LIABILITIES			
Non-current liabilities			
Long-term borrowings		38,928,505	29,774,758
Long-term bonds		29,909,275	29,868,059
Deferred income tax liabilities		7,318,379	7,744,694
Deferred revenue		402,407	412,631
Provision for employee benefits		81,014	94,511
Provision for close down, restoration and environmental costs		1,173,571	1,154,695
Other long-term liabilities		871,894	879,754
Total non-current liabilities		78,685,045	69,929,102
Current liabilities			
Trade and notes payables	10	22,237,108	22,631,060
Accruals, advance and other payables		11,651,166	8,742,810
Taxes payables		864,896	1,784,692
Short-term borrowings		9,230,200	6,776,186
Current portion of long-term borrowings		6,405,281	3,544,019
Current portion of provision for close down, restoration and environmental costs		26,360	19,098
Total current liabilities		50,415,011	43,497,865
Total liabilities		129,100,056	113,426,967
TOTAL EQUITY AND LIABILITIES		232,629,268	216,520,107
NET CURRENT ASSETS		5,277,131	4,229,957
TOTAL ASSETS LESS CURRENT LIABILITIES		182,214,257	173,022,242

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 2014 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 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3 SIGNIFICANT ACCOUNTING POLICIES

Except described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

The Group has adopted the following standards, amendments to standards and interpretation which are effective from 1 January 2014 and relevant to the operations of the Group in the current period.

- Amendment to IFRS 10, 12 and IAS 27 'Consolidation for investment entities'

- Amendment to IAS 32 'Financial instruments: Presentation' on asset and liability offsetting

- Amendment to IAS 36 'Impairment of assets' on the recoverable amount disclosures for non-financial assets

- Amendment to IAS 39 ‘Financial Instruments: Recognition and Measurement’ – Novation of derivatives

- IFRIC 21, 'Levies'

The adoptions don't have significant impact on the condensed consolidated interim financial information of the Group.

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 2014.

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, coal-chemical product and mining machinery:

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

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

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

	For the six months ended and as at 30 June 2014 (Unaudited)						
	Coal	**Coal-chemical product** *(Note (a))*	**Machinery**	**Others** *(Note (b))*	**Non operating Segment**	**Inter-segment Elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue							
Total Revenue	29,425,497	1,843,420	3,131,588	1,834,716	–	(800,637)	35,434,584
Inter-segment revenue	(230,970)	–	(144,518)	(425,149)	–	800,637	–
Revenue from external customers	29,194,527	1,843,420	2,987,070	1,409,567	–	–	35,434,584
Profit/(loss) from operations	2,361,999	(52,778)	126,438	53,163	(222,394)	24,118	2,290,546
Profit/(loss) before income tax	1,726,201	(93,335)	111,412	34,449	(314,517)	24,118	1,488,328
Interest income	97,024	5,161	3,467	2,291	335,657	(196,727)	246,873
Interest expense	(663,283)	(125,870)	(17,533)	(20,543)	(478,417)	196,727	(1,108,919)
Depreciation and amortisation	(2,298,098)	(109,377)	(121,834)	(252,851)	(14,446)	–	(2,796,606)
Share of profits of associates and joint ventures	21,889	15,531	323	–	54,519	–	92,262
Income tax expense	(392,957)	(412)	(26,573)	(4,654)	(174)	(6,476)	(431,246)
Other material non-cash items							
Reversal of/(provision for) impairment of other assets	(51,546)	–	(40,168)	(78,974)	–	593	(170,095)
Segment assets and liabilities							
Total assets	129,669,676	48,015,707	17,033,298	11,859,953	30,068,359	(4,017,725)	232,629,268
Including investment in associates and joint ventures	543,452	648,748	103,822	–	10,354,969	–	11,650,991
Addition to non-current assets	7,540,517	3,779,831	848,813	104,361	66,560	–	12,340,082
Total liabilities	46,321,320	17,253,321	6,307,867	4,731,775	57,924,986	(3,439,213)	129,100,056

	For the six months ended 30 June 2013 (Unaudited) and as at 31 December 2013 (Audited)						
	Coal	**Coal-chemical product**	**Machinery**	**Others**	**Non operating Segment**	**Inter-segment Elimination**	**Total**
		(Note (a))		*(Note (b))*			
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue							
Total Revenue	33,512,268	1,947,271	3,929,971	1,784,742	–	(776,083)	40,398,169
Inter-segment revenue	(139,006)	–	(266,606)	(370,471)	–	776,083	–
Revenue from external customers	33,373,262	1,947,271	3,663,365	1,414,271	–	–	40,398,169
Profit/(loss) from operations	5,070,488	(2,364)	323,457	15,654	(186,066)	(158)	5,221,011
Profit/(loss) before income tax	4,847,341	(15,304)	322,532	(7,265)	58,838	(158)	5,205,984
Interest income	93,887	8,160	3,907	1,095	415,928	(223,984)	298,993
Interest expense	(455,077)	(52,046)	(8,261)	(23,391)	(238,689)	223,984	(553,480)
Depreciation and amortisation	(2,405,728)	(76,060)	(78,715)	(204,218)	(13,012)	–	(2,777,733)
Share of profits of associates and joint ventures	45,248	30,832	4,506	–	60,499	–	141,085
Income tax expense	(1,266,969)	(1,459)	(22,261)	(14,494)	(2,045)	–	(1,307,228)
Other material non-cash items							
Reversal of/(provision for) impairment of other assets	(6,616)	34	(31,563)	(1,392)	–	–	(39,537)
Segment assets and liabilities							
Total assets	123,504,559	40,249,340	15,717,034	8,697,297	32,282,318	(3,930,441)	216,520,107
Including investment in associates and joint ventures	567,455	634,896	107,278	–	8,776,860	–	10,086,489
Addition to non-current assets	14,179,218	16,363,178	1,366,152	366,157	3,548,406	–	35,823,111
Total liabilities	30,702,565	22,175,998	5,396,142	4,450,608	54,018,350	(3,316,696)	113,426,967

Note:

(a) As at 30 June 2014, total assets of coal-chemical segment above include construction in progress with an amount of RMB35,977,779,000 (31 December 2013:RMB31,495,201,000).

(b) Others segment comprises of the six operating segments of the Group with the revenue below the quantitative thresholds. Those segments include three aluminium factories, four power generating plants, an equipment purchase agency, a tendering service provider, a finance company and four manufacturing enterprises. 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	
	2014	**2013**
	Unaudited	**Unaudited**
	RMB'000	*RMB'000*
Domestic markets	35,233,986	40,188,328
Asia-Pacific markets	200,598	209,841
	35,434,584	40,398,169

Note:

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

Analysis of non-current assets

	30 June 2014	**31 December 2013**
	Unaudited	**Audited**
	RMB'000	*RMB'000*
Domestic markets	174,050,844	166,269,407
Other overseas markets	3,228	7,314
	174,054,072	166,276,721

Note:

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

5 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Interest expense:		
– Bank borrowings	1,408,509	979,950
– Long-term bonds	864,466	576,945
– Provisions: unwinding of discount	40,571	22,122
Other incidental borrowing costs and charges	2,275	5,262
Net foreign exchange losses/(gains)	30,159	(103,637)
Finance costs	2,345,980	1,480,642
Less: amounts capitalised on qualifying assets	(1,204,627)	(1,025,537)
Total finance costs	1,141,353	455,105
Finance income:		
– interest income on bank deposits	242,894	292,217
– interest income on loans to related parties	3,979	6,776
Total finance income	246,873	298,993
Net finance costs	894,480	156,112

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	
	2014	2013
	Unaudited	Unaudited
Capitalisation rate used to determine the amount of finance costs eligible for capitalisation	5.90%-6.77%	6.14%-6.77%

6 INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	**2013**
	Unaudited	**Unaudited**
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax *(Note (a))*	1,206,990	1,121,606
Deferred income tax	(775,744)	185,622
	431,246	1,307,228

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 2014 and 2013 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 2014 and 2013 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 2014 and 2013, diluted earnings per share are the same as basic earnings per share.

8 DIVIDENDS

	Six months ended 30 June	
	2014	**2013**
	Unaudited	**Unaudited**
	RMB'000	*RMB'000*
Dividends		
– final dividends for 2012 *(Note (a))*	–	2,784,319
– final dividends for 2013 *(Note (b))*	1,073,952	–

Notes:

(a) On 13 May 2013, after approval from the annual general meeting of shareholders, the Company declared 2012 final dividend of RMB0.21 Yuan per share, and the Company made dividend payment of approximately RMB2,784,319,000 for the six months ended 30 June 2013.

(b) On 13 May 2014, after approval from the annual general meeting of shareholders, the Company declared 2013 final dividend of RMB0.081 Yuan per share, and the Company made dividend payment of approximately RMB1,073,952,000 for the six months ended 30 June 2014.

9 TRADE AND NOTES RECEIVABLES

	30 June 2014	**31 December 2013**
	Unaudited	**Audited**
	RMB'000	*RMB'000*
Trade receivables, net *(Note (a))*	10,240,232	8,268,716
Notes receivables *(Note (b))*	4,277,404	4,626,761
	14,517,636	12,895,477

Notes:

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

	30 June 2014	**31 December 2013**
	Unaudited	**Audited**
	RMB'000	*RMB'000*
Within 6 months	7,397,476	6,152,209
6 months – 1 year	1,587,489	1,203,275
1 – 2 years	1,199,704	880,889
2 – 3 years	219,106	170,657
Over 3 years	284,874	263,192
Trade receivables, gross	10,688,649	8,670,222
Less: Impairment of receivables	(448,417)	(401,506)
Trade receivables, net	10,240,232	8,268,716

Trade receivables for sale of coal, coking and 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.

The individually impaired receivables relate to customers which are in unexpected difficult economic situations.

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

The Group does not hold any collateral as security.

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

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

10 TRADE AND NOTES PAYABLES

	30 June 2014	31 December 2013
	Unaudited	**Audited**
	RMB'000	*RMB'000*
Trade payables *(Note (a))*	20,197,399	19,821,545
Notes payables	2,039,709	2,809,515
	22,237,108	22,631,060

Note:

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

	30 June 2014	31 December 2013
	Unaudited	**Audited**
	RMB'000	*RMB'000*
Less than 1 year	17,900,770	17,849,700
1 – 2 years	1,225,001	1,242,016
2 – 3 years	524,794	408,844
Over 3 years	546,834	320,985
	20,197,399	19,821,545

11 COMMITMENTS

(a) Capital commitments

Capital expenditure of property, plant and equipment authorised which has not been contracted for as of 30 June 2014 amounts to RMB504,973,000 (31 December 2013: RMB564,331,000).

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

	30 June 2014	31 December 2013
	Unaudited	**Audited**
	RMB'000	*RMB'000*
Property, plant and equipment	10,324,486	18,161,359
Others	676,292	545,656
	11,000,778	18,707,015

(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 2014	31 December 2013
	Unaudited	**Audited**
	RMB'000	*RMB'000*
Land and buildings:		
– Within 1 year	93,831	128,162
– From 1 year to 5 years	246,654	256,769
– Over 5 years	770,250	801,060
	1,110,735	1,185,991

(c) Investment commitments

The Company and China Railway Investment Corporation along with other 14 companies signed a founders' agreement on 16 August 2012 and agreed to jointly set up Mengxi-Huazhong Railway Company Limited. Up to 30 June 2014, the Company has paid the first investment instalment of RMB100 million and is committed to further invest RMB5,300 million in this company in future years.

CHAIRMAN'S STATEMENT

Dear Shareholders,

Since the beginning of 2014, the domestic coal market has been hit by various factors such as decelerated growth in the macro economy, adjustment to the national energy composition and air pollution control, resulting in a prominent imbalance of supply and demand, a steep decline in coal price, further intensified market competition and a continuous fall in the economic efficiency of the coal industry. Facing the complex and volatile market environment, China Coal Energy deepened internal reforms and took vigorous measures to cut costs and increase efficiency, with a focus placed on keeping production stabilised, boosting sales, improving quality and strengthening management to cope with the enormous impact due to the cyclically deep adjustment in the coal industry.

During the reporting period, the Company remained committed to the concept of efficiency priority and low cost exploitation by continuing optimising the production processes, arranging for the scheduling of interim continuity over mining areas in a reasonable manner, strengthening the organisation and coordination of production as well as improving the productivity of coal mines. 81.13 million tonnes of raw coal and 60.48 million tonnes of commercial coal were produced, representing an increase of 3.8% and 2.8% respectively as compared to the same period of 2013. Guided by market demand, the Company optimised product mix, improved product quality and marketing network, accelerated the on-line operation of the e-commerce platform, enhanced the market's rapid response capability, optimised sales channels and enhanced the distribution network in an effort to maintain its market share. The Company stepped up market development by further tapping potential customers and actively exploring new markets. Despite the weak demand for coal, high coal inventories and increased difficulty in sales during the first half of 2014, 75.12 million tonnes of commercial coal were sold, remaining stable as compared to the same period of 2013.

While striving to keep production operations stabilised, the Company strengthened strategic planning, accelerated the progress of advantageous coal projects and enhanced the development quality of the principal coal business. Project construction proceeded steadily after obtaining approval of the Hulusu and Menkeqing Coal Mines at Inner Mongolia-Shaanxi base; preliminary and construction works on Muduchaideng Coal Mine and Nalin River No. 2 Coal Mine made a positive progress. Wangjialing Coal Mine at Shanxi base achieved integrated advantage over good coal quality as well as high output and efficiency, further demonstrating its market risk resistance capacity; Huaning, Hanzui and Beiling Coal Mines involving technological upgrade will be qualified for a trial operation in the second half of 2014; and the principal works on Xiaohuigou Coal Mine proceeded in an orderly way. As the coal mine projects at Inner Mongolia-Shaanxi base and Shanxi base are gradually put into production, the coal production layout of the Company will be further optimised and the competitiveness of its products will be improved significantly.

The Company accelerated industrial restructuring, and the coal chemical industry made a good start. The coke oven gas produced fertiliser project in Lingshi of Shanxi operated safely and steadily, demonstrating the advantage of polygeneration. The fertiliser project in Tuke of Ordos completed a successful test run in one attempt, and produced a total of 256,000 tonnes of urea with smooth product sales during the first half of 2014. The production load of Mengda Coal Based Methanol Project was increased steadily, having produced 151,000 tonnes of methanol during the first half of 2014. Yulin Methanol Acetic Acid Project commissioned a test run in June and produced qualified polyolefin products in July. Mengda engineering plastics project and Pingshuo inferior coal comprehensive utilisation project proceeded steadily as planned. As the Company's coal chemical projects are gradually put into operation, the Company's industrial structure will be improved significantly.

The Company continued to carry out lean management and strived to raise the management and control standards. In the first half of 2014, the Company further stepped up cost control, strengthened quota management, enhanced the repair of obsolete materials and the reuse of waste materials, decreased coal production costs, improved the management of materials procurement, expanded the scale of centralised procurement, actively carried out consignment purchase and controlled the cost of holding funds. Meanwhile, the Company accelerated the recovery of accounts, cut non-production expenses, strengthened the management of operating cash flow and improved corporate management quality. Simultaneously, the Company accelerated the clearance and disposal of inefficient and ineffective assets, closed down production line with a capacity of 100,000 tonnes of primary aluminium and improved the profitability of assets. During the reporting period, although there was a substantial decline in coal price, the Company's unit cost of sales of self-produced commercial coal excluding freight charges decreased by 5.4% as compared to the same period of 2013, and profit before tax amounted to RMB1.488 billion.

The Chinese economy is currently in a restructuring phase, still subject to several uncertain and instable factors, while the development of the coal industry is encountering various difficulties and challenges. Increase in the demand for coal consumption has weakened, given a fall in the growth rate of output by the major coal consuming sectors. The gradual commencement of production by new mines has exerted further pressure on coal overcapacity. The import of coal on a consistently large scale has a great impact on the domestic market. The adjustment to the national energy composition and tightening up of environmental protection have set a new requirement for coal consumption in the future. While the industry was under tremendous pressure, it should be noted that the Chinese economy tended to stabilise and pick up in the second quarter following the gradual implementation of the national policy to maintain steady growth and the micro-stimulus initiatives, which will have a positive impact on coal demand in the second half of 2014. China places great emphases on the sound development of the coal industry by strengthening the supervision on coal production capacity and controlling the scale of coal production, and takes the initiative to formulate policies including restricting the import of low quality coal and adjusting the tariffs for import and export of coal so as to improve the supply and demand in the coal market. The major coal producing provinces have also introduced an array of supportive policies, thus offering favourable conditions for coal enterprises to tide over difficulties and achieve sustainable development.

In the second half of 2014, the Company will focus on the objectives for annual production operations by meeting the general requirements for carrying out reform and innovation, and seeking progress while maintaining stability as well as strengthening the coordination of production, transportation and marketing for vigorously improving product quality control; flexibly adjust marketing strategy for stepping up market development; strive to improve operating performance through continuously strengthening cost control; and stringently implement the responsibility for production safety by improving project construction management. Facing the challenging market conditions and unprecedented operational pressure, the Company's management and all employees will brave all difficulties and accomplish various tasks with our firm confidence and efforts with an aim to realise the long-term goals of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND OPERATING RESULTS

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

I. OVERVIEW

In the first half of 2014, facing the continuous drop in selling prices of major products such as coal under adverse market condition, the Group spared no effort in responding to the impact from the market's downward trend by organising production in a scientific manner, reinforcing market development, enhancing the efforts to cut cost and increase efficiency. For the six months ended 30 June 2014, the Group's total revenue (net of inter-segmental sales) amounted to RMB35.435 billion, representing a decrease of 12.3% as compared to the same period of 2013; profit before income tax amounted to RMB1.488 billion, representing a decrease of 71.4% as compared to the same period of 2013; profit attributable to the equity holders of the Company amounted to RMB780 million, representing a decrease of 75.8% as compared to the same period of 2013; basic earnings per share were RMB0.06, representing a decrease of RMB0.18 as compared to the same period of 2013; and net cash generated from operating activities per share was RMB0.04, representing a decrease of RMB0.25 as compared to the same period of 2013.

Unit: RMB100 million

	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Increase/decrease	
			Increase/ decrease in amount	Increase/ decrease *(%)*
Revenue	354.35	403.98	-49.63	-12.3
Profit before income tax	14.88	52.06	-37.18	-71.4
EBITDA	50.88	79.99	-29.11	-36.4
Profit attributable to the equity holders of the Company	7.80	32.21	-24.41	-75.8
Net cash generated from operating activities*	5.34	38.08	-32.74	-86.0

*: In order to mitigate inconsistency across different capital markets, the Group reclassified interest paid and interest income received (other than those related to current deposits) from operating activities to financing activities and investing activities respectively in the current period. Figure for the same period of 2013 has been reclassified accordingly.

As at 30 June 2014, the gearing ratio (total interest-bearing debts/(total interest-bearing debts + equity)) of the Group was 44.9%, representing an increase of 4.5 percentage points from 40.4% at the beginning of 2014.

Unit: RMB100 million

	As at 30 June 2014	As at 31 December 2013	Increase/decrease	
			Increase/ decrease in amount	Increase/ decrease *(%)*
Assets	2,326.29	2,165.20	161.09	7.4
Liabilities	1,291.00	1,134.27	156.73	13.8
Interest-bearing debts	844.73	699.63	145.10	20.7
Equity	1,035.29	1,030.93	4.36	0.4
Equity attributable to the equity holders of the Company	875.35	878.11	-2.76	-0.3

II. OPERATING RESULTS

(1) Consolidated Operating Results

1. Revenue

For the six months ended 30 June 2014, the Group's total revenue (net of inter-segmental sales) decreased from RMB40.398 billion for the six months ended 30 June 2013 to RMB35.435 billion, representing a decrease of RMB4.963 billion or 12.3%, mainly due to the impact from the market. The selling prices of major products such as coal dropped, resulting in the decrease in operating revenue of the Group as compared to the same period of 2013.

Changes in revenue net of inter-segmental sales from the Group's four operating segments of coal, coal chemical, coal mining equipment and other operations for the six months ended 30 June 2014 in comparison with the six months ended 30 June 2013 are set out as follows:

Unit: RMB100 million

	Revenue net of inter-segmental sales		Increase/decrease	
	For the six months ended 30 June 2014	**For the six months ended 30 June 2013**	**Increase/ decrease in amount**	**Increase/ decrease** *(%)*
Coal operations	291.95	333.73	-41.78	-12.5
Coal chemical operations	18.43	19.47	-1.04	-5.3
Coal mining equipment operations	29.87	36.63	-6.76	-18.5
Other operations	14.10	14.15	-0.05	-0.4
Total	354.35	403.98	-49.63	-12.3

The proportion of revenue net of inter-segmental sales generated by each operating segment of the Group for the six months ended 30 June 2014 and the six months ended 30 June 2013 in the Group's total revenue is set out as follows:

	Proportion of revenue net of inter-segmental sales *(%)*		
	For the six months ended 30 June 2014	**For the six months ended 30 June 2013**	**Increase/ decrease** *(percentage point)*
Coal operations	82.4	82.6	-0.2
Coal chemical operations	5.2	4.8	0.4
Coal mining equipment operations	8.4	9.1	-0.7
Other operations	4.0	3.5	0.5

2. Cost of sales

For the six months ended 30 June 2014, the Group's cost of sales decreased from RMB33.161 billion for the six months ended 30 June 2013 to RMB31.106 billion, representing a decrease of 6.2%.

Material costs decreased from RMB16.361 billion for the six months ended 30 June 2013 to RMB14.406 billion, representing a decrease of 11.9%, of which, the cost of proprietary coal trading decreased by RMB749 million as compared to the same period of 2013; the material costs of self-produced commercial coal decreased by RMB526 million as compared to the same period of 2013 due to several measures adopted by the Group such as stepping up centralised procurement of materials, reducing the purchasing cost of materials as well as further strengthening the management of consumption quota and enhancing the repair of obsolete materials and the reuse of waste materials. In addition, the reduction in the scale of sales for coal mining equipment operations led to a decrease of RMB612 million in material costs as compared to the same period of 2013; reduction in the purchase price of raw coal for coal chemical operations led to a decrease of RMB129 million in material costs as compared to the same period of 2013.

Staff costs decreased from RMB2.284 billion for the six months ended 30 June 2013 to RMB2.209 billion, representing a decrease of 3.3%. The decrease was mainly due to Huaning Coal Mine and Hanzui Coal Mine entering the stage of technological upgrade in 2013, thus leading to a decrease in staff costs as compared to the same period of 2013. Moreover, the decrease in staff costs was also attributable to the reduction of gross manpower required as the Group reduced labour dispatch workforce.

Depreciation and amortisation expenses decreased from RMB2.525 billion for the six months ended 30 June 2013 to RMB2.495 billion, representing a decrease of 1.2%.

Repair and maintenance costs decreased from RMB560 million for the six months ended 30 June 2013 to RMB395 million, representing a decrease of 29.5%. The decrease was mainly attributable to the enhancement of routine equipment repair and maintenance by the Group's subsidiaries, which led to fewer repairs, as well as full utilisation of their own repair capacities, thus leading to a decrease in outsourced repair costs as compared to the same period of 2013.

Transportation costs increased from RMB5.910 billion for the six months ended 30 June 2013 to RMB6.277 billion, representing an increase of 6.2%. The increase was mainly attributable to the increase in unit tariff rate of railway transportation by RMB0.015 per tonne-kilometre in February 2014 as well as the increase in the sales volume of seaborne self-produced commercial coal produced by the Group's Pingshuo Mining Area, resulting in a corresponding increase in transportation costs.

Outsourcing mining engineering fees for coal mines increased from RMB1.500 billion for the six months ended 30 June 2013 to RMB1.543 billion, representing an increase of 2.9%. The increase was mainly attributable to the commencement of operation of the Pingshuo East Open Pit Coal Preparation Plant in late 2013, incurring an increase of equipment reverse contracting fees as compared to the same period of 2013. Moreover, the increase in stripping volume under the arrangement for interim continuity of production as compared to the same period of 2013 also led to an increase in outsourcing mining engineering fees.

Sales taxes and surcharges decreased from RMB654 million for the six months ended 30 June 2013 to RMB622 million, representing a decrease of 4.9%. The decrease was mainly attributable to the decrease in revenue from operations as compared to the same period of 2013, resulting in a corresponding decrease in taxes and surcharges.

Other costs decreased from RMB3.367 billion for the six months ended 30 June 2013 to RMB3.159 billion, representing a decrease of 6.2%. The decrease was mainly attributable to the decrease in cost due to the reduction of the standard levy of the coal sustainable development fund by RMB3/tonne in Shanxi Province since 1 January 2014, and the cessation of the provision for the coal sustainable development reserve of Shanghai Energy Company, a subsidiary of the Group, during the current period.

3. Gross profit and gross profit margin

For the six months ended 30 June 2014, gross profit of the Group decreased from RMB7.237 billion for the six months ended 30 June 2013 to RMB4.329 billion, representing a decrease of 40.2%, and gross profit margin decreased from 17.9% for the six months ended 30 June 2013 to 12.2%, representing a decrease of 5.7 percentage points.

The gross profit and gross profit margin of each of the Group's operating segments for the six months ended 30 June 2014 and for the six months ended 30 June 2013 are as follows:

Unit: RMB100 million

	Gross profit			Gross profit margin *(%)*		
	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Increase/ decrease *(%)*	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Increase/ decrease *(Percentage point(s))*
Coal operations	35.13	62.71	-44.0	11.9	18.7	-6.8
Self-produced commercial coal	34.45	62.07	-44.5	16.2	25.2	-9.0
Proprietary coal trading	0.76	0.70	8.6	1.0	0.8	0.2
Coal chemical operations	0.12	0.58	-79.3	0.7	3.0	-2.3
Coal mining equipment operations	5.77	7.89	-26.9	18.4	20.1	-1.7
Other operations	2.07	1.24	66.9	11.3	6.9	4.4
Group	43.29	72.37	-40.2	12.2	17.9	-5.7

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

(2) Operating results of segments

1. Coal segment

- Revenue

Revenue from the coal operations of the Group was mainly generated from sales of coal produced from 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 and domestic agency services.

For the six months ended 30 June 2014, the total revenue from coal operations of the Group decreased from RMB33.512 billion for the six months ended 30 June 2013 to RMB29.425 billion, representing a decrease of 12.2%; revenue net of inter-segmental sales decreased from RMB33.373 billion for the six months ended 30 June 2013 to RMB29.195 billion, representing a decrease of 12.5%.

For the six months ended 30 June 2014, revenue from sales of self-produced commercial coal of the Group decreased from RMB24.672 billion for the six months ended 30 June 2013 to RMB21.328 billion, representing a decrease of 13.6%. Revenue net of inter-segmental sales decreased from RMB24.538 billion for the six months ended 30 June 2013 to RMB21.101 billion, representing a decrease of 14.0%; of which, revenue from thermal coal was RMB19.289 billion, representing a decrease of RMB2.963 billion as compared to the same period of 2013; revenue from coking coal was RMB1.812 billion, representing a decrease of RMB474 million as compared to the same period of 2013. For the six months ended 30 June 2014, the Group's weighted average sales price of self-produced commercial coal recorded a decrease of RMB54/tonne as compared to the same period of 2013, reducing sales revenue by RMB2.988 billion; sales of self-produced commercial coal recorded a decrease of 1.03 million tonnes as compared to the same period of 2013, decreasing sales revenue by RMB449 million.

Revenue from sales of proprietary coal trading decreased from RMB8.650 billion for the six months ended 30 June 2013 to RMB7.948 billion, representing a decrease of 8.1%.

Revenue from agency services decreased from RMB19 million for the six months ended 30 June 2013 to RMB11 million, representing a decrease of 42.1%.

Changes in the Group's coal sales volume and selling price for the six months ended 30 June 2014 and for the six months ended 30 June 2013 are set out as follows:

		For the six months ended 30 June 2014		For the six months ended 30 June 2013		Increase/ decrease in amount		Increase/decrease	
		Sales volume *(10,000 tonnes)*	Selling price *(RMB/ tonne)*	Sales volume *(10,000 tonnes)*	Selling price *(RMB/ tonne)*	Sales volume *(10,000 tonnes)*	Selling price *(RMB/ tonne)*	Sales volume *(%)*	Selling price *(%)*
1. Self-produced commercial coal	Total	5,526	382	5,629	436	-103	-54	-1.8	-12.4
	(I) Thermal coal	5,212	370	5,347	416	-135	-46	-2.5	-11.1
	1. Domestic sale	5,187	369	5,321	415	-134	-46	-2.5	-11.1
	(1) Long-term contract	4,288	383	3,327	434	961	-51	28.9	-11.8
	(2) Spot trading	899	303	1,994	383	-1,095	-80	-54.9	-20.9
	2. Export	25	565	26	624	-1	-59	-3.8	-9.5
	(1) Long-term contract	25	565	26	624	-1	-59	-3.8	-9.5
	(2) Spot trading	☆	☆	☆	☆	–	–	–	–
	(II) Coking coal	314	578	282	810	32	-232	11.3	-28.6
	1. Domestic sale	314	578	282	810	32	-232	11.3	-28.6
	(1) Long-term contract	☆	☆	☆	☆	–	–	–	–
	(2) Spot trading	314	578	282	810	32	-232	11.3	-28.6
	2. Export	☆	☆	☆	☆	–	–	–	–
2. Proprietary coal trading	Total	1,790	444	1,709	506	81	-62	4.7	-12.3
	(I) Domestic resale	1,624	436	1,639	503	-15	-67	-0.9	-13.3
	(II) Self-operated exports	1.4*	2,099	2*	2,245	-0.6	-146	-30.0	-6.5
	(III) Import trading	165	506	54	539	111	-33	205.6	-6.1
	(IV) Transshipment trading	☆	☆	14	551	-14	–	-100.0	–
3. Import and export agency★	Total	196	6	179	10	17	-4	9.5	-40.0
	(I) Import agency	53	9	77	11	-24	-2	-31.2	-18.2
	(II) Export agency	113	5	102	10	11	-5	10.8	-50.0
	(III) Domestic agency	30	1	☆	☆	30	–	–	–

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

- Cost of sales

For the six months ended 30 June 2014, cost of sales for the Group's coal operations decreased from RMB27.241 billion for the six months ended 30 June 2013 to RMB25.912 billion, representing a decrease of 4.9%. Changes in the major cost items are set out as follows:

Unit: RMB100 million

Item	For the six months ended 30 June 2014	Percentage (%)	For the six months ended 30 June 2013	Percentage (%)	Increase/ decrease in amount	Increase/ decrease (%)
Material costs (excluding cost of external purchase of raw coal for washing purpose and proprietary coal trading cost)	22.80	8.8	28.06	10.3	-5.26	-18.7
Cost of external purchase of raw coal for washing purpose	7.57	2.9	6.42	2.4	1.15	17.9
Proprietary coal trading cost☆	77.71	30.0	85.20	31.3	-7.49	-8.8
Staff costs	16.74	6.5	17.22	6.3	-0.48	-2.8
Depreciation and amortisation	21.49	8.3	22.06	8.1	-0.57	-2.6
Repair and maintenance *	4.22	1.6	5.19	1.9	-0.97	-18.7
Transportation costs	60.29	23.3	56.78	20.8	3.51	6.2
Coal sustainable development fund (reserve)	8.14	3.1	10.94	4.0	-2.80	-25.6
Outsourcing mining engineering fees	15.43	6.0	15.00	5.5	0.43	2.9
Sales taxes and surcharges	6.00	2.3	6.21	2.3	-0.21	-3.4
Other costs★	18.73	7.2	19.33	7.1	-0.60	-3.1
Total costs of sales for coal operations	259.12	100.0	272.41	100.0	-13.29	-4.9

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

* : Repair and maintenance expenses of the coal segment include inter-segmental repair and maintenance expenses which are eliminated upon consolidation.

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

For the six months ended 30 June 2014, the Group's cost of sales of self-produced commercial coal was RMB17.883 billion, representing a decrease of RMB582 million or 3.2% as compared to the same period of 2013. The unit cost of sales of self-produced commercial coal was RMB323.62/tonne, representing a decrease of RMB4.47/tonne or 1.4% as compared to the same period of 2013. The cost of proprietary coal trading was RMB7.872 billion, representing a decrease of RMB708 million or 8.3% as compared to the same period of 2013; and the unit cost of sales of proprietary coal trading was RMB439.78/tonne, representing a decrease of RMB62.27/tonne or 12.4% as compared to the same period of 2013.

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

Unit: RMB/tonne

Item	For the six months ended 30 June 2014	Percentage (%)	For the six months ended 30 June 2013	Percentage (%)	Increase/ decrease in amount	Increase/ decrease (%)
Material costs (excluding the cost of external purchase of raw coal for washing purpose)	41.27	12.8	49.87	15.2	-8.60	-17.2
Cost of external purchase of raw coal for washing purpose	13.69	4.2	11.41	3.5	2.28	20.0
Staff costs	30.29	9.4	30.60	9.3	-0.31	-1.0
Depreciation and amortisation	38.89	12.0	39.19	12.0	-0.30	-0.8
Repair and maintenance	7.64	2.4	9.23	2.8	-1.59	-17.2
Transportation costs	107.79	33.3	99.83	30.4	7.96	8.0
Sales taxes and surcharges	10.86	3.4	11.03	3.4	-0.17	-1.5
Coal sustainable development fund (reserve)	14.74	4.6	19.44	5.9	-4.70	-24.2
Outsourcing mining engineering fees	27.93	8.6	26.65	8.1	1.28	4.8
Other costs	30.52	9.3	30.84	9.4	-0.32	-1.0
Unit cost of sales of self-produced commercial coal	323.62	100.0	328.09	100.0	-4.47	-1.4

The changes in the Group's unit cost of sales of self-produced commercial coal for the six months ended 30 June 2014 as compared to the same period of 2013 were mainly attributable to:

Unit cost of raw materials decreased by RMB8.60/tonne as compared to the same period of 2013. The decrease was mainly attributable to stepping up centralised procurement of materials, reducing the purchasing cost of materials as well as further strengthening the management of consumption quota and enhancing the repair of obsolete materials and the reuse of waste materials by coal producing subsidiaries of the Group, which led to a decrease in cost of raw materials as compared to the same period of 2013.

Unit cost of external purchase of raw coal for washing purpose increased by RMB2.28/tonne as compared to the same period of 2013. The increase mainly aimed at the improvement of coal quality at the source and optimisation of product mix. During the reporting period, the volume of externally purchased raw coal for blending purpose increased as compared to the same period of 2013.

Unit repair and maintenance cost decreased by RMB1.59/tonne as compared to the same period of 2013. The decrease was mainly attributable to the strengthening of daily repair and maintenance of coal mining equipment of the Group's coal producing subsidiaries, which led to fewer repairs as well as full utilisation of their own repair capabilities, thus leading to a decrease in outsourced repair costs.

Unit transportation cost increased by RMB7.96/tonne as compared to the same period of 2013. The increase was mainly attributable to the increase in unit tariff rate of railway transportation by RMB0.015 per tonne-kilometre on 15 February 2014 and the increase in the sales volume of seaborne self-produced commercial coal produced by Pingshuo Mining Area.

Unit coal sustainable development fund (reserve) decreased by RMB4.70/tonne as compared to the same period of 2013. The decrease was mainly attributable to the decrease in cost due to the reduction of the standard levy of the coal sustainable development fund by RMB3/tonne in Shanxi Province since 1 January 2014, and the cessation of the provision for the coal sustainable development reserve of Shanghai Energy Company, a subsidiary of the Group, during the current period.

Unit outsourcing mining engineering fee increased by RMB1.28/tonne as compared to the same period of 2013, which was mainly attributable to the increase in equipment reverse contracting fees as compared to the same period of 2013 upon commencement of operation of Pingshuo East Open Pit Coal Preparation Plant in late 2013. In addition, the increase in stripping volume under the arrangement for continuation of production as compared to the same period of 2013 led to an increase in outsourcing mining engineering fees.

- Gross profit and gross profit margin

For the six months ended 30 June 2014, gross profit of the Group's coal operations segment decreased from RMB6.271 billion for the six months ended 30 June 2013 to RMB3.513 billion, representing a decrease of 44.0%, and gross profit margin decreased by 6.8 percentage points from 18.7% for the six months ended 30 June 2013 to 11.9%.

2. Coal chemical segment

- Revenue

For the six months ended 30 June 2014, the Group's revenue from coal chemical operations decreased from RMB1.947 billion for the six months ended 30 June 2013 to RMB1.843 billion (generated entirely from revenue of external transactions), representing a decrease of 5.3%. This was mainly due to the relatively large decrease in the selling price of coke as compared to the same period of 2013, resulting in a decrease of RMB331 million or 21.6% in the revenue of coke products as compared to the same period of 2013. The coke oven gas produced chemical fertiliser project in Lingshi of Shanxi started to operate in June 2013, increasing RMB130 million to the revenue as compared to the same period of 2013.

The revenue from coke sales of the Group for the six months ended 30 June 2014 was RMB1.201 billion, representing a decrease of RMB331 million or 21.6% as compared to the same period of 2013.

Changes in the sales volume and selling price of coke of the Group for the six months ended 30 June 2014 and for the six months ended 30 June 2013 are set out below:

	For the six months ended 30 June 2014		For the six months ended 30 June 2013		Increase/ decrease in amount		Increase/decrease	
	Sales volume *(10,000 tonnes)*	Selling price *(RMB/ tonne)*	Sales volume *(10,000 tonnes)*	Selling price *(RMB/ tonne)*	Sales volume *(10,000 tonnes)*	Selling price *(RMB/ tonne)*	Sales volume *(%)*	Selling price *(%)*
Self-produced	95.3	952	90.8	1,256	4.5	-304	5.0	-24.2
Domestic sales	95.3	952	90.8	1,256	4.5	-304	5.0	-24.2
Export	☆	☆	☆	☆	–	–	–	–
Proprietary trading	24.9	1,177	28.3	1,382	-3.4	-205	-12.0	-14.8
Domestic sales	24.1	1,186	25.7	1,404	-1.6	-218	-6.2	-15.5
Export	0.8	906	2.6	1,166	-1.8	-260	-69.2	-22.3
Export agency★	0.3	12	0.6	13	-0.3	-1	-50.0	-7.7

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

For the six months ended 30 June 2014, the Group's revenue from sales of chemical products such as methanol and urea increased to RMB642 million, representing an increase of RMB227 million as compared to that of the six months ended 30 June 2013. Among the sales, the sales volume of methanol amounted to 81.6 thousand tonnes (including 31.3 thousand tonnes of methanol produced by Heilongjiang Coal Chemical Group, a subsidiary of China Coal Group, all of which were sold externally via the Group), with weighted average selling price of RMB2,197/tonne, achieving a revenue of RMB179 million. The sales volume of urea amounted to 89.6 thousand tonnes, with weighted average selling price of RMB1,422/tonne, achieving a revenue of RMB127 million. Other chemical products such as coal tar and crude benzene achieved a revenue of RMB336 million. Sales volume of the above products excluded the sales volume during the trial production period.

- Cost of sales

For the six months ended 30 June 2014, cost of sales for the Group's coal chemical operations decreased from RMB1.889 billion for the six months ended 30 June 2013 to RMB1.831 billion, representing a decrease of 3.1%. Details are set out as follows:

Unit: RMB100 million

Item	For the six months ended 30 June 2014	Percentage *(%)*	For the six months ended 30 June 2013	Percentage *(%)*	Increase/ decrease in amount	Increase/ decrease *(%)*
Material costs	14.58	79.6	15.87	84.0	-1.29	-8.1
Staff costs	0.44	2.4	0.37	2.0	0.07	18.9
Depreciation and amortisation	1.02	5.6	0.70	3.7	0.32	45.7
Repair and maintenance	0.19	1.0	0.14	0.7	0.05	35.7
Transportation costs	1.89	10.3	1.66	8.8	0.23	13.9
Sales taxes and surcharges	0.03	0.2	0.04	0.2	-0.01	-25.0
Other costs	0.16	0.9	0.11	0.6	0.05	45.5
Total costs of sales for coal chemical operations	18.31	100.0	18.89	100.0	-0.58	-3.1

Cost of sales for the Group's major coal chemical products is set out as follows:

	Cost of sales *(RMB100 million)*			**Unit cost of sales** *(RMB/tonne)*		
	For the six months ended 30 June 2014	**For the six months ended 30 June 2013**	**Increase/ decrease in amount**	**For the six months ended 30 June 2014**	**For the six months ended 30 June 2013**	**Increase/ decrease in amount**
Coke	12.70	15.40	-2.70	1,053.17	1,287.19	-234.02
Methanol	1.71	1.35	0.36	2,098.36	1,996.65	101.71
Urea	1.21	0.09	1.12	1,347.66	1,137.59	210.07

- Gross profit and gross profit margin

  For the six months ended 30 June 2014, the gross profit of the Group's coal chemical operations decreased by 79.3% from RMB58 million for the six months ended 30 June 2013 to RMB12 million, and the gross profit margin decreased from 3.0% for the six months ended 30 June 2013 to 0.7%, representing a decrease of 2.3 percentage points. This was mainly due to a relatively large decrease in the selling price of coke as compared to the decrease in cost, resulting in a decrease in gross profit.

3. Coal mining equipment segment

- Revenue

  For the six months ended 30 June 2014, the Group's revenue from the coal mining equipment operations decreased from RMB3.930 billion for the six months ended 30 June 2013 to RMB3.132 billion, representing a decrease of 20.3%, of which the revenue net of inter-segmental sales decreased from RMB3.663 billion for the six months ended 30 June 2013 to RMB2.987 billion, representing a decrease of 18.5%. This was mainly due to a decrease in the sales volume of major coal mining equipment as compared to the same period of 2013 as a result of the market situations.

- Cost of sales

  For the six months ended 30 June 2014, the Company's cost of sales for the coal mining equipment operations decreased from RMB3.141 billion for the six months ended 30 June 2013 to RMB2.555 billion, representing a decrease of 18.7%. Details are set out as follows:

Unit: RMB100 million

Item	For the six months ended 30 June 2014	Percentage (%)	For the six months ended 30 June 2013	Percentage (%)	Increase/ decrease in amount	Increase/ decrease (%)
Material costs	19.37	75.8	25.49	81.2	–6.12	–24.0
Staff costs	2.86	11.2	3.09	9.8	–0.23	–7.4
Depreciation and amortisation	0.81	3.2	0.49	1.6	0.32	65.3
Repair and maintenance	0.34	1.3	0.18	0.6	0.16	88.9
Transportation costs	0.56	2.2	0.60	1.9	–0.04	–6.7
Sales taxes and surcharges	0.10	0.4	0.16	0.5	–0.06	–37.5
Other costs	1.51	5.9	1.40	4.4	0.11	7.9
Total costs of sales of coal mining equipment operations	25.55	100.0	31.41	100.0	–5.86	–18.7

- Gross profit and gross profit margin

  For the six months ended 30 June 2014, the gross profit of the Group's coal mining equipment operations segment decreased from RMB789 million for the six months ended 30 June 2013 to RMB577 million, representing a decrease of 26.9%, and the gross profit margin decreased from 20.1% for the six months ended 30 June 2013 to 18.4%, representing a decrease of 1.7 percentage points.

4. Other operating segments

For the six months ended 30 June 2014, the Group's total revenue from other operations such as aluminium and power generation increased from RMB1.785 billion for the six months ended 30 June 2013 to RMB1.835 billion, representing an increase of 2.8%, of which the revenue net of inter-segmental sales decreased from RMB1.415 billion for the six months ended 30 June 2013 to RMB1.410 billion, representing a decrease of 0.4%. Cost of sales decreased from RMB1.661 billion for the six months ended 30 June 2013 to RMB1.628 billion, representing a decrease of 2.0%. Gross profit increased by 66.9% from RMB124 million for the six months ended 30 June 2013 to RMB207 million, and gross profit margin increased from 6.9% for the six months ended 30 June 2013 to 11.3%, representing an increase of 4.4 percentage points.

(3) Selling, general and administrative expenses

For the six months ended 30 June 2014, the Group's selling, general and administrative expenses increased from RMB2.035 billion for the six months ended 30 June 2013 to RMB2.102 billion, representing an increase of 3.3%. This was mainly attributable to the provision for bad debts in accounts receivables of RMB66 million, representing an increase of RMB31 million as compared to RMB35 million of the same period of 2013, and depreciation and amortisation of RMB302 million, representing an increase of RMB49 million as compared to RMB253 million of the same period of 2013.

(4) Other net gains

For the six months ended 30 June 2014, the other net gains of the Group increased from RMB16 million for the six months ended 30 June 2013 to RMB63 million, representing an increase of RMB47 million. This was mainly attributable to the increases such as government grants as compared to the same period of 2013.

(5) Profit from operations

For the six months ended 30 June 2014, the Group's profit from operations decreased from RMB5.221 billion for the six months ended 30 June 2013 to RMB2.291 billion, representing a decrease of 56.1%. Changes in profit from operations for each operating segment are as follows:

Unit: RMB100 million

	For the six months ended 30 June 2014	**For the six months ended 30 June 2013**	**Increase/ decrease in amount**	**Increase/ decrease** *(%)*
The Group	22.91	52.21	-29.30	-56.1
Of which: Coal operations	23.62	50.70	-27.08	-53.4
Coal chemical operations	-0.52	-0.02	-0.50	–
Coal mining equipment operations	1.26	3.23	-1.97	-61.0
Other operations	0.53	0.16	0.37	231.3

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

(6) Finance income and finance costs

For the six months ended 30 June 2014, the Group's net finance costs increased from RMB156 million for the six months ended 30 June 2013 to RMB894 million, representing an increase of RMB738 million, while finance income decreased from RMB299 million for the six months ended 30 June 2013 to RMB247 million, representing a decrease of 17.4%. This was mainly attributable to the decrease in deposit interest income as more capital was used for project construction. The finance costs increased from RMB455 million for the six months ended 30 June 2013 to RMB1.141 billion, representing an increase of RMB686 million, of which, a foreign exchange net loss of RMB30 million was incurred as compared to a net gain of RMB104 million for the same period of 2013, and finance costs increased by RMB134 million as compared to the same period of 2013; interest expenses increased from RMB553 million for the six months ended 30 June 2013 to RMB1.109 billion, representing an increase of RMB556 million. This was mainly attributable to the increase in expensed interest expenses as compared to the same period of 2013 due to the transfer of construction-in-progress projects of subsidiaries to fixed assets accumulating to RMB9 billion. In addition, there was a significant decrease in cash inflow generated from operating activities as compared to the same period of 2013 due to the market environment, and cash used for working capital and equity investment increased as compared to the same period of 2013, resulting in a corresponding increase in interest expenses as compared to the same period of 2013.

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

For the six months ended 30 June 2014, the Group's share of profits of associates and jointly controlled entities decreased from RMB141 million for the six months ended 30 June 2013 to RMB92 million, representing a decrease of 34.8%. This was mainly attributable to the decreased investment gains of the Group recognised in proportion to the shareholding resulting from the decreased profits of the associates and jointly controlled entities of the Group during the reporting period.

(8) Profit before income tax

For the six months ended 30 June 2014, the profit of the Group before income tax decreased from RMB5.206 billion for the six months ended 30 June 2013 to RMB1.488 billion, representing a decrease of 71.4%.

(9) Income tax expenses

For the six months ended 30 June 2014, the Group's income tax expenses decreased from RMB1.307 billion for the six months ended 30 June 2013 to RMB431 million, representing a decrease of 67.0%.

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

For the six months ended 30 June 2014, profit attributable to the equity holders of the Company decreased from RMB3.221 billion for the six months ended 30 June 2013 to RMB780 million, representing a decrease of 75.8%.

III. CASH FLOW

As at 30 June 2014, the balance of the Group's cash and cash equivalents amounted to RMB15.439 billion, representing an increase of RMB4.206 billion as compared to that as at 31 December 2013.

Net cash generated from operating activities decreased from RMB3.808 billion for the six months ended 30 June 2013 to RMB534 million, representing a decrease of RMB3.274 billion. This was mainly attributable to a decrease of RMB3.718 billion in profit before tax due to a drop in profitability of the Group as compared to the same period of 2013, as a result of the continuous fall in coal price. Factors such as depreciation and amortisation, impairment losses as well as finance costs that reduced profit without affecting cash flow of operating activities increased by RMB887 million as compared to the same period of 2013, offsetting the decreased cash inflow from change in profit before tax. Moreover, working capital increased by RMB1.982 billion as compared to the same period of 2013 due to increase in inventory as compared to the same period of 2013; and cash used for income tax payment decreased by RMB1.461 billion as compared to the same period of 2013.

Net cash used in investing activities decreased from RMB10.950 billion for the six months ended 30 June 2013 to RMB8.470 billion, representing a decrease of RMB2.480 billion. The decrease was mainly attributable to an increase of RMB2.730 billion in cash inflow from investing activities arising from the inclusion of Finance Company, a subsidiary of the Group, into the consolidation scope upon its establishment during the reporting period, as well as a decrease of RMB545 million in cash payment for acquisition and construction of fixed assets, intangible assets and other long-term assets as compared to the same period of 2013, and an increase of RMB959 million in capital in jointly controlled entities and associates according to shareholding proportion as compared to the same period of 2013.

Net cash generated from financing activities increased from RMB2.409 billion for the six months ended 30 June 2013 to RMB12.142 billion, representing an increase of RMB9.733 billion. This was mainly attributable to an increase of RMB8.085 billion in net cash inflow generated from borrowings from banks as compared to the same period of 2013 as the Group increased debt financing according to the demand for capital for construction and development; a decrease of RMB1.905 billion in cash payment for dividends distribution as compared to the same period of 2013; an increase in cash inflow from financing activities of RMB270 million arising from the capital contribution of RMB270 million by China Coal Group for the establishment of Finance Company, and an increase of RMB434 million in cash repayment of interests as compared to the same period of 2013.

IV. SOURCES OF CAPITAL

For the six months ended 30 June 2014, the Group's funds were mainly derived from the proceeds generated from business operations, bank borrowings and net proceeds generated from funds raised in capital markets. The Group's funds were mainly used for investments in production facilities and equipment for coal, coal chemical and coal mining equipment operations, repayment of debts payable by the Group, and the Group's working capital and general recurring expenditures.

The cash generated from the Group's operation, 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 operating activities as well as project construction.

V. ASSETS AND LIABILITIES

(1) Property, plant and equipment

As at 30 June 2014, the net value of property, plant and equipment of the Group amounted to RMB118.209 billion, representing a net increase of RMB8.194 billion or 7.4% as compared to RMB110.015 billion as at 31 December 2013. This was mainly attributable to an increase in property, plant and equipment as a result of the increase in project investment from the Group's subsidiaries and the need for additional equipment and facilities for production and operation.

(2) Mining and exploration rights

As at 30 June 2014, the net value of the Group's mining and exploration rights amounted to RMB33.151 billion, representing a net increase of RMB584 million or 1.8% as compared to RMB32.567 billion as at 31 December 2013. This was mainly attributable to the increase of RMB771 million for exploration rights as a result of the acquisition of Shanxi Yangquan Yuxian Yuquan Coal Company Limited by Shanghai Energy Company, a subsidiary of the Group, and the amortisation of exploration rights for the reporting period amounted to RMB186 million.

(3) Other non-current assets

As at 30 June 2014, other non-current assets of the Group amounted to RMB6.859 billion, representing a net decrease of RMB2.540 billion or 27.0% as compared to RMB9.399 billion as at 31 December 2013. This was mainly attributable to the transfer of the Group's payment of a capital of RMB2.730 billion for establishing Finance Company at the end of 2013 to investments in subsidiaries during the reporting period due to the establishment of Finance Company (eliminated in the preparation of the consolidated financial statements).

(4) Trade and notes receivables

As at 30 June 2014, the net amount of trade and notes receivables amounted to RMB14.518 billion, representing an increase of RMB1.623 billion or 12.6% as compared to RMB12.895 billion as at 31 December 2013, of which the net amount of trade receivables amounted to RMB10.240 billion, representing an increase of RMB1.971 billion or 23.8% as compared to RMB8.269 billion as at 31 December 2013. This was mainly attributable to the increase in trade receivables as a result of the sales of major products including coal and coal mining equipment in respond to market situations.

(5) Borrowings

As at 30 June 2014, the balance of borrowings of the Group amounted to RMB54.564 billion, representing a net increase of RMB14.469 billion or 36.1% as compared to RMB40.095 billion as at 31 December 2013. This was mainly attributable to an increase in bank borrowings used as working capital for project construction, production and operation of the subsidiaries of the Group, of which the balance of long-term borrowings (including the portion due within one year) was RMB45.334 billion, representing a net increase of RMB12.015 billion as compared to RMB33.319 billion as at 31 December 2013, and the balance of short-term borrowings amounted to RMB9.230 billion, representing a net increase of RMB2.454 billion as compared to RMB6.776 billion as at 31 December 2013.

(6) Long-term bonds

As at 30 June 2014, the balance of bonds payable of the Group amounted to RMB29.909 billion, representing a net increase of RMB41 million, or 0.1%, from RMB29.868 billion as at 31 December 2013.

VI. SIGNIFICANT PLEDGE OF ASSETS

The Group did not have 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 paragraph "V. Other Significant Events" under the section headed "Disclosure of Major Events" in this announcement. Save as disclosed in this announcement, the Board did not approve other proposals related to significant investment during the reporting period.

VIII. MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have material acquisitions and disposals 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 against RMB will have bilateral compound effects on the operating results of the Group. An appreciation of RMB would decrease the Group's export income, 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 coal chemical 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 2014, the Group provided guarantees for a total amount of RMB11.285 billion, of which guarantees of RMB5.388 billion were provided in proportion to the Group's shareholdings for the bank borrowings of the Group's equity investment entities. Details are set out below:

Unit: RMB10 thousand

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

Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Date of execution of guarantee (the date of signing agreement)	Commencement date of guarantee	Expiry date of guarantee	Type of the guarantee	Completed or not	Overdue or not	Overdue amount	Counter guarantee available or not	Provided to the related party or not	Related party relationship
China Coal Energy Company Limited	Company headquarters	Shanxi Pingshuo Gangue-fired Power Generation Company Limited	7,650	19 December 2008	19 December 2008	18 December 2020	Joint and several liability guarantee	No	No	–	Yes	No	–
China Coal Energy Company Limited	Company headquarters	Shanxi Pingshuo Gangue-fired Power Generation Company Limited	38,200	24 December 2008	24 December 2008	23 December 2020	Joint and several liability guarantee	No	No	–	Yes	No	–
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	9,025	28 March 2008	28 March 2008	20 December 2022	Joint and several liability guarantee	No	No	–	No	No	–
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	37,075.50	28 March 2008	28 March 2008	20 December 2023	Joint and several liability guarantee	No	No	–	No	No	–
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	9,981	28 March 2008	28 March 2008	20 December 2023	Joint and several liability guarantee	No	No	–	No	No	–
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	7,750	21 November 2012	21 November 2012	20 November 2027	Joint and several liability guarantee	No	No	–	No	No	–
China Coal Energy Company Limited	Company headquarters	Taiyuan Coal Gasification Longquan Energy Development Company Limited	58,344	29 October 2012	29 October 2012	31 January 2021	Joint and several liability guarantee	No	No	–	No	No	–
China Coal Energy Company Limited	Company headquarters	Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited	361,500	28 April 2013	28 April 2013	28 April 2025	Joint and several liability guarantee	No	No	–	Yes	No	–
China Coal and Coke Holdings Limited	Subsidiary	Hebei Sinocoal Risun Coking Company	5,625	23 August 2012	23 August 2012	31 August 2017	Joint and several liability guarantee	No	No	–	Yes	No	–
China Coal and Coke Holdings Limited	Subsidiary	Hebei Sinocoal Risun Coking Company	3,375	7 March 2013	7 March 2013	7 March 2018	Joint and several liability guarantee	No	No	–	Yes	No	–
Shanghai Datun Energy Resources Company Limited	Subsidiary	Fengpei Railway Company Limited (豐沛鐵路股份有限公司)	245.7	21 November 2013	21 November 2013	20 April 2024	Joint and several liability guarantee	No	No	–	Yes	No	–

Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)	59,713.45
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)	538,771.20
Guarantee provided by the Company to its subsidiaries	
Total guarantee to subsidiaries incurred during the reporting period	341,623.50
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)	589,752.50
Total guarantee of the Company (including those to subsidiaries)	
Total guarantee (A+B)	1,128,523.70
Percentage of total guarantee to net assets of the Company (%)	12.9
Of which:	
Amount of guarantee provided to shareholders, de facto controllers and related parties (C)	–
Balance of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio of over 70% (D)	499,293.04
Excess amount of total guarantee over 50% of net assets (E)	–
Total amount of the above three categories (C+D+E)	499,293.04

(2) Environmental protection responsibilities

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

(3) Contingent legal liabilities

For the six months ended 30 June 2014, 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.

XIII. ANALYSIS OF PRINCIPAL SUBSIDIARIES AND EQUITY INVESTMENT COMPANIES

(1) Operation and result of principal subsidiaries

Unit: RMB100 million

Company name	Nature of business	Principal products or services	Registered capital	Total assets	Net assets attributable to the equity holders of the Company	Revenue	Net profit attributable to the equity holders of the Company	Proportion of net profit in the Company's consolidated net profit attributable to the equity holders of the Company (%)
China Coal Pingshuo Group Company Limited	Coal production	Coal	160.78	650.62	283.08	168.79	5.09	65.3
Shanghai Datun Energy Resources Company Limited	Coal production	Coal and primary aluminium, etc.	7.23	150.30	85.38	33.95	0.48	6.2
Shanxi China Coal Huajin Energy Company Limited	Coal production	Coal	16.56	133.67	43.62	18.57	6.51	83.5

(2) Operation and result of principal equity investment companies

Unit: RMB10 thousand

Company name	Nature of business	Shareholding (%)	Registered capital	Total assets	Revenue	Net profit attributable to the equity holders of the Company
Huajin Coking Coal Company Limited	Coal production	49.0	51,987	1,299,919	219,384	2,999
Hebei Sinocoal Risun Coking Company	Coke production	45.0	10,000	319,553	229,184	5,751
Datong Zhongxin Energy Company Limited	Coal production	42.0	16,100	25,791	24,236	–1,204
Guotou China Coal Tongmei Jingtang Port Company Limited	Coal quay construction	21.0	20,000	332,517	53,608	20,409
Tianjin Port China Coal Huaneng Coal Terminal Company Limited	Port logistics	24.5	112,500	199,762	28,219	–211
Zhongtian Synergetic Energy Company Limited	Coal chemical	38.8	540,377	1,394,971	–	–
Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited	Coal chemical	30.0	700,000	2,173,341	267	–136

BUSINESS PERFORMANCE

I. COAL OPERATIONS

Due to factors including a severe slack in the demand for coal, the continued impact of imported coal and the increasing pressure arising from environmental protection since the beginning of 2014, the imbalance from the structural oversupply in the domestic coal industry became more prominent, and coal inventory remained at a high level for a long time while coal price continued to fall, resulting in an even more challenging business environment for coal enterprises.

(1) Growth in coal production as compared to the same period of 2013

The Company maintained a growth in coal production by organising production scientifically, optimising production technology, making reasonable arrangements for mining and stripping (roadheading) continuity, and sparing no effort in raising unit output and unit roadheading. During the reporting period, the production volume of raw coal amounted to 81.13 million tonnes (including 1.95 million tonnes of engineering coal), representing an increase of 2.98 million tonnes or 3.8% as compared to the same period of 2013. The production volume of commercial coal reached 60.48 million tonnes, representing an increase of 1.64 million tonnes or 2.8% as compared to the same period of 2013, of which thermal coal reached 56.45 million tonnes and coking coal reached 4.03 million tonnes.

By strengthening production and organisation and giving full play to the strengths of economy of scale and centralisation, Pingshuo Company achieved a roadheading length of 19,538 metres in the first half of 2014; and recorded a commercial coal production volume of 45.68 million tonnes, representing an increase of 1.5% as compared to the same period of 2013. By optimising the layout of working faces and giving full play to the strengths of the highly safe and efficient newly constructed Wangjialing Coal Mine, China Coal Huajin Company achieved a roadheading length of 7,922 metres in the first half of 2014; and recorded a commercial coal production volume of 3.63 million tonnes, representing an increase of 20.6% as compared to the same period of 2013, of which clean coking coal amounted to 2.47 million tonnes, representing an increase of 16.5% as compared to the same period of 2013. After making reasonable arrangements for production continuity, Shanghai Energy Company achieved a roadheading length of 18,900 metres in the first half of 2014; it also expedited the upgrade of the washery and recorded a commercial coal production volume of 4.01 million tonnes, remaining at the similar level as compared to the same period of 2013.

Commercial Coal Production Volume (10 thousand tonnes)	**January to June 2014**	**January to June 2013**	**Change** *(%)*
Pingshuo Company	4,568	4,501	1.5
Shanghai Energy Company	401	404	-0.7
China Coal Huajin Company	363	301	20.6
Dongpo Company	314	349	-10.0
Nanliang Company	107	104	2.9
Tang Shan Gou Company	63	66	-4.5
Shuozhong Company	295	264	11.7
Dazhong Company	182	151	20.5
Shaanxi Company	112	69	62.3
Total	6,048	5,884	2.8

Notes: 1. 3.57 million tonnes were eliminated from the total commercial coal production volume for January to June 2014 due to intra-company transactions, while 3.25 million tonnes of intra-company transactions were eliminated for January to June 2013.

2. As Hecaogou Coal Mine has not been consolidated into the Company, the commercial coal production volume of Shaanxi Company was calculated based on management statistics.

(2) Coal sales volume remaining stable

Facing a tough market environment, the Company adhered to its "market-oriented, customer-centred" philosophy, made flexible adjustments to its marketing strategy, improved its marketing network, consolidated its existing market share, actively developed new markets and new customers, and continuously enhanced its service standards and capability in making timely responses. The Company made reasonable arrangements for the dispatch and transportation of coal, enhanced the loading and unloading efficiency of coal mines and coal ports, and made every effort to secure a smooth coordination among all aspects of production, transportation and sale. During the reporting period, the Company recorded a commercial coal sales volume of 75.12 million tonnes, remaining stable as compared to the same period of 2013.

Sales volume of commercial coal (10 thousand tonnes)			January to June 2014	January to June 2013	Change *(%)*
(I)	**Domestic sales of self-produced coal**		5,501	5,603	-1.8
	By region:	North China	1,161	2,974	-61.0
		East China	3,033	2,024	49.9
		South China	799	605	32.1
		Others	508	☆	–
	By coal type:	Thermal coal	5,187	5,321	-2.5
		Coking coal	314	282	11.3
	By contract:	Long-term contract	4,288	3,327	28.9
		Spot trading	1,213	2,276	-46.7
(II)	**Self-produced coal export**		25	26	-3.8
	By region:	Taiwan, China	25	26	-3.8
		Japan	☆	☆	–
	By coal type:	Thermal coal	25	26	-3.8
		Coking coal	☆	☆	–
	By contract:	Long-term contract	25	26	-3.8
		Spot trading	☆	☆	–
(III)	**Proprietary trading**		1,790	1,709	4.7
	Of which:	Domestic resale	1,624	1,639	-0.9
		Import trading	165	54	205.6
		Transshipment trading	☆	14	-100.0
		Self-operated exports	1.4	2	-30.0
(IV)	**Agency sales**		196	179	9.5
	Of which:	Import agency	53	77	-31.2
		Export agency	113	102	10.8
		Domestic agency	30	☆	–
Total			7,512	7,517	-0.1

Facing more stringent requirements of environmental protection, the Company attached great importance to product quality and structure optimisation with a view to satisfying customers' diversified needs while facilitating coal sales through a series of measures. Through the external purchase of premium raw coal for washing purpose, the Company improved the coal quality and optimised the structure of coal types from the upstream of the production chain. Fully leveraging on traditional channels and the strengths of warehousing and transportation at ports, the Company purchased more premium coal to be blended with self-produced coal for sales so as to improve the integrated benefits of coal sales.

Closely monitoring market changes, the Company put forward innovative marketing concepts and took the initiative to develop customers in cement and coal chemical industries in line with the quality characteristics of its self-produced coal. The Company's market reach was also extended to inland regions including Central and Southwest China with sales radius expanded and more potential markets secured. The Company spared no effort in securing the railway transportation capacity. In the first half of 2014, the Company's self-produced commercial coal transportation volume by railway amounted to 47.82 million tonnes, representing an increase of 3.03 million tonnes or 6.8% as compared to the same period of 2013. However, as the domestic coal demand was not sufficient, the sales volume of self-produced commercial coal reached 55.26 million tonnes, representing a decrease of 1.8% as compared to the same period of 2013, of which the sales volume of self-produced commercial coal of Pingshuo Company reached 42.63 million tonnes, representing a decrease of 3.2% as compared to the same period of 2013; the sales volume of self-produced commercial coal of Shanghai Energy Company reached 3.57 million tonnes, remaining unchanged as compared to the same period of 2013; and the sales volume of self-produced commercial coal of China Coal Huajin Company reached 3.30 million tonnes, representing an increase of 17.4% as compared to the same period of 2013.

II. COAL CHEMICAL OPERATIONS

During the first half of 2014, the Company strengthened on-site management to identify and rectify potential safety risks, and enhanced the momentum of staff training. Coal chemical operations progressed smoothly, as witnessed by the stable operation of equipment which had been put into production as well as the steady progress of trial production and construction-in-progress projects.

China Coal and Coke achieved steady production and operation. During the reporting period, the accumulated production volume of coke amounted to 956 thousand tonnes, representing an increase of 3.7% as compared to the same period of 2013. Self-produced coke sales volume amounted to 953 thousand tonnes, representing an increase of 5.0% as compared to the same period of 2013. Production volume of urea amounted to 106 thousand tonnes, representing an increase of 112.0% as compared to the same period of 2013. Sales volume of urea amounted to 90 thousand tonnes, representing an increase of 100.0% as compared to the same period of 2013.

Mengda Coal Based Methanol Project has comprehensively started trial production, with production load increasing steadily. The accumulated production and sales volume of methanol amounted to 151 thousand tonnes and 143 thousand tonnes respectively. With the whole production process of phase 1 of Tuke fertiliser project being interconnected, the accumulated production and sales volume of granular urea amounted to 256 thousand tonnes and 212 thousand tonnes respectively. Yulin Methanol Acetic Acid Project commenced the commissioning test run in June and produced qualified polyolefin products in July.

Production and sales volume of coal chemical products(10 thousand tonnes)	January to June 2014	January to June 2013	Change (%)
Production volume of coke	95.6	92.2	3.7
Sales volume of coke	120.5	119.7	0.7
Of which: Sales volume of self-produced coke	95.3	90.8	5.0
Production volume of methanol	21.2	5.8	265.5
Of which: Production volume during the trial production period	15.1①	☆	–
Sales volume of methanol	22.5	6.8	230.9
Of which: Sales volume during the trial production period	14.3②	☆	–
Production volume of urea	36.2	5.0	624.0
Of which: Production volume during the trial production period	25.6③	3.7⑤	591.9
Sales volume of urea	30.2	4.5	571.1
Of which: Sales volume during the trial production period	21.2④	3.3⑥	542.4

Notes: 1. The Company is concurrently responsible for the sales of all methanol products produced by Heilongjiang Coal Chemical Group, a subsidiary of China Coal Group.

2. ① and ② represent the production and sales volume for the trial production period of Mengda Coal Based Methanol Project. ③ and ④ represent the production and sales volume for the trial production period of Tuke fertiliser project. ⑤ and ⑥ represent the production and sales volume for the trial production period of the coke oven gas produced chemical fertiliser project in Lingshi of Shanxi.

III. COAL MINING EQUIPMENT OPERATIONS

During the first half of 2014, due to factors including the downtrend of the coal market and reduction in investment by coal enterprises, there was insufficient demand for coal mining equipment, which heightened competition in the industry. Through stepping up efforts in market development, optimising production technology and processes, enhancing product quality control and giving full play to the advantages of complete sets of products, the Company strived to maintain the market share stable. During the reporting period, the Company achieved RMB3.22 billion of production value of coal mining equipment, representing a decrease of 3.3% as compared to the same period of 2013. The total production volume of coal mining equipment reached 156 thousand tonnes, representing a decrease of 6.6% as compared to the same period of 2013, of which 7,153 units (sets) were major coal mining equipment.

Coal mining equipment	Production value (RMB100 million) January to June 2014	Production value (RMB100 million) January to June 2013	Change (%)	Sales revenue (RMB100 million) January to June 2014	Percentage of sales revenue of the coal mining equipment segment (%)
Conveyor equipment	12.9	13.2	-2.3	6.7	21.4
Support equipment	10.1	9.9	2.0	8.0	25.6
Road header	3.0	3.1	-3.2	0.7	2.2
Shearer	3.2	4.0	-20.0	1.7	5.4
Electric mining motor	3.0	3.1	-3.2	1.9	6.1
Total	32.2	33.3	-3.3	31.3	–

Note: The sales revenue in the table represents the revenue of the coal mining equipment segment before netting of inter-segmental sales, which amounts to RMB3.13 billion in total and includes revenues generated from accessories, services and trade.

Product type	Percentage of sales of the product (%)	Market share (%)
Medium and high-end armoured face conveyors	81	57
Medium and high-end hydraulic roof supports	83	21
Medium and high-end shearers	93	32
Medium and high-end electric motors	63	69
Medium and high-end road headers and drilling machines	55	9

IV. OTHER OPERATIONS

As the price of primary aluminium continued to fall in the year, the Company shut down all production lines for primary aluminium and carbon anodes to avoid further losses. During the reporting period, the Company generated electricity of 1.92 billion Kwh, representing an increase of 7.3% as compared to the same period of 2013.

V. PROGRESS OF OPERATING PLANS

During the first half of 2014, with a view to achieving the annual production and operation target, the Company accelerated adjustment to operational layout and structure, adopted scientific measures to organise production and strengthened the linkage among production, transportation and sales as well as strengthened cost and expense control, so as to proactively respond to the challenging market environment. During the reporting period, raw coal production volume (including engineering coal) increased by 3.8% as compared to the same period of 2013, while the unit cost of sales of self-produced commercial coal after excluding transportation cost dropped by 5.4% as compared to the same period of 2013. However, the operating revenue achieved by the Company decreased by 12.3% as compared to the same period of 2013, mainly due to the continuous fall in coal price.

The Company will adjust the planned raw coal production volume for 2014 in the second half of 2014. For details, please refer to the paragraph "V. Other Significant Events" under the section headed "Disclosure of Major Events" in this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company always attaches great importance to corporate governance and the enhancement of its transparency. In this regard, the Company has complied with the requirements on corporate governance prescribed by domestic and overseas regulatory bodies and made ongoing efforts to improve the internal control of the Company, so as to facilitate more standardised and efficient operation of the Company and ensure maximum returns for shareholders through excellent corporate governance.

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

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 Hong Kong Listing Rules. After the Company made specific enquiries, all directors and supervisors confirmed that they have fully complied with the Model Code during the reporting period.

AUDIT COMMITTEE

The Audit Committee under the Board reviewed the interim results of the Company. In addition, PricewaterhouseCoopers, the external auditor of the Company, performed an independent review on the unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2014 in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. On the basis of their review, which did not constitute an audit, PricewaterhouseCoopers confirmed in writing that nothing came to their attention which would cause them to believe that the interim financial information was not, in any material aspect, properly prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

DISCLOSURE OF MAJOR EVENTS

I. DISTRIBUTION OF FINAL DIVIDENDS FOR 2013

The Company's 2013 profit distribution plan was considered and approved at the Company's 2013 Annual General Meeting held on 13 May 2014. Cash dividends of RMB1,072,680,600 were distributed to shareholders of the Company, representing 30% of the net profit attributable to the equity holders of the Company which was RMB3,575,602,000 as set out in the consolidated financial statements for 2013 prepared in accordance with the PRC Accounting Standards for Business Enterprises. The proposed dividend distribution was made based on the Company's entire issued share capital of 13,258,663,400 shares, representing a dividend of RMB0.081 per share (inclusive of tax). The aforesaid final dividends were duly paid to the Shareholders by 30 June 2014.

II. INTERIM PROFIT DISTRIBUTION PLAN FOR 2014

The Company will not distribute any interim profit for 2014.

III. ASSETS TRANSACTIONS

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

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

For the six months ended 30 June 2014, the Company and its subsidiaries had not purchased, sold or redeemed any securities (the term "securities" has the meaning ascribed to it under the Hong Kong Listing Rules) of the Company.

V. OTHER SIGNIFICANT EVENTS

(1) Investment in and construction of Dahaize Coal Mine and Coal Preparation Plant of Shaanxi Company

On 10 January 2014, the first meeting of the second session of the Board of the Company considered and passed the Resolution on Investment in and Construction of Dahaize Coal Mine and Coal Preparation Plant of China Coal Shaanxi Yulin Energy & Chemical Company Limited. On 13 May 2014, the 2013 Annual General Meeting of the Company considered and approved the above resolution. Currently, the project is progressing steadily as scheduled.

For details, please refer to relevant announcements published on the websites of SSE, HKSE and the Company on 10 January and 13 May 2014.

(2) Investment in and construction of Tuke Gasification Island and related facilities

On 18 March 2014, the second meeting of the second session of the Board of the Company considered and passed the Resolution on Investment in and Construction of Tuke Gasification Island and Related Facilities. On 13 May 2014, the 2013 Annual General Meeting of the Company considered and approved the above resolution.

For details, please refer to relevant announcements published on the websites of SSE, HKSE and the Company on 18 March and 13 May 2014.

(3) Increase in shareholding in the Company by Sino Life Company

On 4 March 2014, the Company received a notice from its shareholder Sino Life Company that through trading on secondary market, its interest in voting rights of the Company's A shares and H shares in aggregate reached 5% as at 4 March. On behalf of Sino Life Company, the Company disclosed the Condensed Statement of Changes in Equity of China Coal Energy on 6 March. According to the share register provided by China Securities Depository and Clearing Corporation Limited Shanghai Branch, Sino Life Company held 119,523,827 A shares of the Company as at 30 June 2014. According to the disclosure of interests published on the website of HKSE, Sino Life Company held long position in 1,028,441,000 H shares of the Company as at 30 June 2014. The changes in equity above will not result in any change in the Company's controlling shareholder or de facto controller.

For details, please refer to relevant announcements published on the websites of SSE, HKSE and the Company on 4 March and 6 March 2014.

(4) Establishment of Finance Company

Finance Company was formally established on 6 March 2014 with a registered capital of RMB3 billion, of which RMB2.73 billion was contributed by the Company in cash, representing 91% of the registered capital of Finance Company, and RMB0.27 billion was contributed by China Coal Group in cash, representing 9% of the registered capital of Finance Company.

(5) Undertaking of China Coal Group on Resolution of Horizontal Competition

In May 2014, the Company received the Letter of Undertaking on Further Avoiding Horizontal Competition with China Coal Energy Company Limited from its controlling shareholder China Coal Group, in which China Coal Group stated expressly that: "Within 7 years from the date of the Letter of Undertaking on Further Avoiding Horizontal Competition with China Coal Energy Company Limited, China Coal Group will inject its competing equity interests in Import and Export Company, Huayu Company and Heilongjiang Coal Chemical Group into China Coal Energy, subject to the procedures for meetings of the Board of Directors or shareholders' general meeting fulfilled under applicable laws and regulations and the Articles of Association of China Coal Energy." The matter above was disclosed after consideration at the 2014 fourth meeting of the second session of the Board held on 13 May 2014. China Coal Energy will follow up the fulfilment of the above undertaking with a high sense of responsibility to investors in accordance with the regulatory requirements.

For details, please refer to the Announcement on Fulfilment of Undertaking of the Company and Controlling Shareholder and the Announcement on Undertaking of China National Coal Group Corporation on Further Avoiding Horizontal Competition with China Coal Energy Company Limited respectively published on 14 February and 13 May 2014 on the websites of SSE, HKSE and the Company.

(6) Occurrence of an accident in a coal mine under construction by Shaanxi Company

An accident occurred in Dahaize Coal Mine, a coal mine under construction by Shaanxi Company, a wholly-owned subsidiary of the Company, during the building and construction process on 14 May 2014, resulting in 13 casualties of the construction party. Currently, the relevant remedial work has been basically completed.

For details, please refer to relevant announcements published on the websites of SSE, HKSE and the Company on 15 May, 16 May and 20 May 2014.

(7) Amendment to the Articles of Association

On 13 May 2014, as required by No. 3 Guideline for the Supervision of Listed Companies — Cash Dividends Distribution of Listed Companies (《上市公司監管指引第3號－上市公司現金分紅》) released by CSRC and the Guidelines of the Shanghai Stock Exchange on Cash Dividends Distribution of Listed Companies (《上海證券交易所上市公司現金分紅指引》), Resolution on Amendment to the Articles of Association was considered and approved at the Company's 2013 Annual General Meeting, setting out that the Company may distribute dividends in cash, in shares or in a combination of both cash and shares, and shall give priority to cash dividends.

For details, please refer to relevant announcements published on the websites of SSE, HKSE and the Company on 13 May 2014.

(8) Adjustment on the Planned Raw Coal Production Volume For 2014

In order to address the current overcapacity and declining prices in domestic coal market, the Company has determined to reduce its planned raw coal production volume (including engineering coal) for 2014 by approximately 10% from the original annual target for 2014 in August 2014. The planned raw coal production volume for 2014 as adjusted represents a decrease of approximately 5% from the actual raw coal production volume in 2013.

For details, please refer to the relevant announcements published on the websites of SSE, HKSE and the Company on 12 August 2014.

VI. SUBSEQUENT EVENT

As at the date of disclosure of this report, there are no subsequent events for the Company.

FORWARD-LOOKING STATEMENT

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

DEFINITIONS

the Group/the Company/Company/ China Coal Energy	China Coal Energy Company Limited, unless otherwise indicated, also includes all of its subsidiaries
Board of the Company/Board	the board of directors of China Coal Energy Company Limited
Directors	the directors of the Company, including all the executive directors, non-executive directors and independent non-executive directors

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

Pingshuo Mining Area	the coal mining area in Shanxi Province, mainly comprising the Antaibao Open Pit Mine and Underground Mine, the Anjialing Open Pit Mine and Underground Mine, the Jingdong Mine and Pingshuo East Open Pit Mine
Pingshuo Company	China Coal Pingshuo Group Company Limited
Shanghai Energy Company	Shanghai Datun Energy Resources Company Limited, a controlling subsidiary of the Company
China Coal Huajin Company	Shanxi China Coal Huajin Energy Company Limited
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
China Coal and Coke	China Coal and Coke Holdings Limited
Tang Shan Gou Company	Shanxi Zhongxin Tangshangou Coal Industry Company Limited
Finance Company	China Coal Finance Co., Ltd.
Import and Export Company	China Coal Import and Export Company
Huayu Company	China Coal Group Shanxi Huayu Energy Company Limited (formerly known as China Coal Group Shanxi Jinhaiyang Energy Co., Limited)

Heilongjiang Coal Chemical Group	China Coal Heilongjiang Coal Chemical Engineering (Group) Company Limited, a controlling subsidiary of China Coal Group
Mengda Coal Based Methanol Project	the Mengda coal based methanol project in Ordos of Inner Mongolia
Yulin Methanol Acetic Acid Project	the methanol acetic acid series deep processing and comprehensive utilisation project of China Coal Shaanxi Yulin Energy & Chemical Company Limited
Sino Life Company	Sino Life Insurance Co., Ltd.
RMB	RMB yuan

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

Beijing, the PRC
15 August 2014

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 Li Yanjiang, Li Yanmeng and Peng Yi, and the independent non-executive directors of the Company are Zhang Jiaren, Zhao Pei, Ngai Wai Fung and Zhou Qinye.

The interim report of the Company for the six months ended 30 June 2014 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*