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 2017

FINANCIAL HIGHLIGHTS:

- Revenue of the Group in the first half of 2017 was RMB37.104 billion, representing a year-on-year increase of RMB10.803 billion (or 41.1%).
- Profit attributable to the equity holders of the Company in the first half of 2017 was RMB2.280 billion, representing a year-on-year increase of RMB2.055 billion.
- Basic earnings per share during the reporting period amounted to RMB0.17, representing a year-on-year increase of RMB0.15.
- EBITDA in the first half of 2017 was RMB9.124 billion, representing a year-on-year increase of RMB3.738 billion (or 69.4%).
- The Company does not distribute interim dividends for 2017.

The Board announces the interim results of the Group for the six months ended 30 June 2017 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, Deloitte Touche Tohmatsu.

A. SELECTED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

		Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Other comprehensive income(loss):			
Items that may be reclassified subsequently to profit or loss			
Fair value changes on available-for-sale financial assets, net of tax		**944**	(1,961)
Fair value loss on hedging instruments		**–**	(592)
Currency translation differences		**11,358**	17,584
Total items that may be reclassified subsequently to profit or loss		**12,302**	15,031
Other comprehensive income for the period, net of tax		**12,302**	15,031
Total comprehensive income for the period		**3,542,995**	556,131
Total comprehensive income attributable to:			
Equity holders of the Company		**2,292,220**	240,165
Non-controlling interests		**1,250,775**	315,966
		3,542,995	556,131
Basic earnings per share (based on the profit attributable to the equity holders of the Company) (RMB Yuan)	*7*	**0.17**	0.02

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Notes	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**127,166,745**	128,239,858
Investment properties		**47,358**	53,270
Land use rights		**4,696,861**	5,038,319
Mining and exploration rights		**32,962,853**	33,673,946
Intangible assets		**1,417,964**	1,443,284
Goodwill		**6,084**	6,084
Investments in associates		**12,508,230**	12,008,565
Investments in joint ventures		**2,305,535**	2,020,163
Available-for-sale financial assets		**5,463,905**	5,467,784
Deferred income tax assets		**3,412,559**	2,982,306
Long-term receivables		**286,767**	285,342
Other non-current assets		**6,761,900**	6,897,443
Total non-current assets		**197,036,761**	198,116,364
Current assets			
Inventories		**6,937,710**	7,390,899
Trade and notes receivables	9	**15,658,615**	14,457,865
Prepayments and other receivables		**6,619,870**	7,424,173
Restricted bank deposits		**2,069,254**	1,919,510
Term deposits with initial terms of over three months		**2,136,304**	3,455,113
Cash and cash equivalents		**13,644,397**	9,893,779
Total current assets		**47,066,150**	44,541,339
TOTAL ASSETS		**244,102,911**	242,657,703

	Notes	At **30 June** **2017** **(Unaudited)** ***RMB'000***	At 31 December 2016 (Audited) *RMB'000*
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		**13,258,663**	13,258,663
Reserves		**44,006,197**	43,346,514
Retained earnings		**30,554,164**	29,441,863
		87,819,024	86,047,040
Non-controlling interests		**16,839,728**	16,066,828
Total equity		**104,658,752**	102,113,868
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**42,155,329**	43,496,933
Long-term bonds and payable		**25,872,582**	25,900,417
Deferred income tax liabilities		**7,203,039**	6,738,669
Deferred revenue		**1,791,716**	801,552
Provision for employee benefits		**65,624**	70,936
Provision for close down, restoration and environmental costs		**1,329,404**	1,352,350
Other long-term liabilities		**798,557**	767,242
Total non-current liabilities		**79,216,251**	79,128,099
Current liabilities			
Trade and notes payables	*10*	**19,870,928**	21,160,146
Accruals, advance and other payables		**11,421,114**	12,725,542
Short-term bonds		**3,000,000**	3,000,000
Taxes payables		**1,489,335**	1,769,449
Short-term borrowings		**7,419,047**	6,573,031
Current portion of long-term borrowings		**17,007,534**	16,161,810
Current portion of provision for close down, restoration and environmental costs		**19,950**	25,758
Total current liabilities		**60,227,908**	61,415,736
Total liabilities		**139,444,159**	140,543,835
TOTAL EQUITY AND LIABILITIES		**244,102,911**	242,657,703

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

1 ORGANISATION AND PRINCIPAL ACTIVITIES

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

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

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

2 BASIS OF PREPARATION

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

2.1 Going-concern basis

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

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

Property plant and equipment

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

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

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

The application of the amendments to IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements. Additional disclosures relating to the reconciliation of liabilities arising from financing activities will be provided in the consolidated financial statements for the year ending 31 December 2017 in accordance with the amendments to IAS 7.

4 SEGMENT INFORMATION

4.1 General information

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

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

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

b. Reportable and operating segments

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

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

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

4.2 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 30 June 2017 (unaudited)								
	Coal	**Coal chemical product**	**Machinery**	**Finance**	**Reportable segment total** *(Note)*	**Others**	**Unallocated**	**Inter-segment elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue									
Total Revenue	30,809,513	4,576,179	2,484,443	–	37,870,135	974,315	–	(1,740,493)	37,103,957
Inter-segment revenue	(1,367,121)	(13,129)	(135,886)	–	(1,516,136)	(224,357)	–	1,740,493	–
Revenue from external customers	29,442,392	4,563,050	2,348,557	–	36,353,999	749,958	–	–	37,103,957
Profit(loss) from operations	5,677,654	485,590	81,890	(17,456)	6,227,678	(228,485)	(132,724)	(65,931)	5,800,538
Profit(loss) before income tax	5,096,301	342,655	26,354	199,596	5,664,906	(235,618)	(743,390)	(66,726)	4,619,172
Interest income	67,674	49,581	3,298	276,106	396,659	2,620	617,233	(699,508)	317,004
Interest expense	(633,523)	(464,350)	(45,635)	(58,909)	(1,202,417)	(8,856)	(1,371,657)	698,528	(1,884,402)
Depreciation and amortisation	(2,078,675)	(841,943)	(189,996)	(788)	(3,111,402)	(196,740)	(15,790)	–	(3,323,932)
Share of profits of associates and joint ventures	9,883	272,071	(12,432)	–	269,522	–	131,316	–	400,838
Income tax (expense)/credit	(1,124,181)	(55,632)	3,058	(49,920)	(1,226,675)	(58,427)	212,131	(15,508)	(1,088,479)
Other material non-cash items									
Provisions for impairment of property, plant and equipment	–	(215,891)	–	–	(215,891)	–	–	–	(215,891)
Provision for/(reversal of) impairment of other assets	(551,052)	6	(44,279)	(9,822)	(605,147)	(786)	–	9,971	(595,962)
Segment assets and liabilities									
Total assets	132,437,469	48,623,421	16,994,616	4,778,194	202,833,700	12,652,314	32,762,233	(4,145,336)	244,102,911
Include: investment in associates and joint ventures	2,662,192	605,528	522,972	–	3,790,692	–	11,023,073	–	14,813,765
Addition to non-current assets	3,557,113	331,527	89,142	–	3,977,782	5,158	6,379	–	3,989,319
Total liabilities	37,965,051	22,906,513	5,922,583	2,554,811	69,348,958	4,886,693	69,339,112	(4,130,604)	139,444,159

For the six months ended 30 June 2016(unaudited) and as at 31 December 2016 (audited)

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

4.3 Geographical information

Analysis of revenue

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

Note:

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

Analysis of non-current assets

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

Note:

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

5 FINANCE INCOME AND COSTS

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

Note:

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

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

6 INCOME TAX EXPENSE (CREDIT)

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

Note:

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

7 EARNINGS PER SHARE

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

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

8 DIVIDENDS

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

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

9 TRADE AND NOTES RECEIVABLES

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

Notes:

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

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

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

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

The Group does not hold any collateral as security.

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

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

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

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

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

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

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

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

10 TRADE AND NOTES PAYABLES

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

Note:

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

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND OPERATING RESULTS

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

I. OVERVIEW

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

Unit: RMB100 million

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

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

Unit: RMB100 million

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

II. OPERATING RESULTS

(1) Consolidated operating results

1. Revenue

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

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

Unit: RMB100 million

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

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

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

2. *Cost of sales*

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

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

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

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

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

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

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

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

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

3. *Gross profit and gross profit margin*

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

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

Unit: RMB100 million

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

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

(2) Operating results of segments

1. Coal segment

- *Revenue*

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

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

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

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

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

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

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

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

- *Cost of sales*

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

Unit: RMB100 million

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

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

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

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

Unit: RMB/tonne

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

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

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

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

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

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

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

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

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

- *Gross profit and gross profit margin*

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

2. Coal chemical segment

- *Revenue*

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

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

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

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

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

- *Cost of sales*

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

Unit: RMB100 million

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

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

Unit: RMB100 million

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

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

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

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

- *Gross profit and gross profit margin*

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

3. *Coal mining equipment segment*

- *Revenue*

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

- *Cost of sales*

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

Unit: RMB100 million

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

- *Gross profit and gross profit margin*

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

4. Financial and other operating segments

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

(3) Selling, general and administrative expenses

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

(4) Other net gains

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

(5) Profit from operations

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

Unit: RMB100 million

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

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

(6) Finance income and finance costs

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

(7) Share of profits of associates and joint ventures

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

(8) Profit before income tax

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

(9) Income tax expenses

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

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

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

III. CASH FLOW

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

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

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

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

IV. SOURCES OF CAPITAL

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

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

V. ASSETS AND LIABILITIES

(1) Property, plant and equipment

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

(2) Mining and exploration rights

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

(3) Investments in associates

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

(4) Prepayments and other receivables

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

(5) Trade and notes receivables

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

(6) Borrowings

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

(7) Long-term bonds

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

(8) Deferred revenue

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

VI. SIGNIFICANT CHARGE OF ASSETS

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

VII. SIGNIFICANT INVESTMENT

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

VIII. MATERIAL ACQUISITIONS AND DISPOSALS

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

IX. RISKS OF EXCHANGE RATE

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

X. RISKS OF COMMODITY VALUE

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

XI. INDUSTRY RISKS

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

XII. CONTINGENT LIABILITIES

(1) Bank guarantees

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

Unit: RMB10 thousand

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

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

Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)	72,470.00
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)	1,711,464.11
guarantee provided by the Company to its subsidiaries	
Total guarantee to subsidiaries incurred during the reporting period	-64,846.30
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)	717,701.79
total guarantee of the Company (including those to subsidiaries)	
Total guarantee (A+B)	2,429,165.90
Percentage of total guarantee to net assets of the Company (%)	27.7
Of which:	
Amount of guarantee provided to shareholders, de facto controllers and related parties (C)	–
Balance of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio of over 70% (D)	1,341,089.07
Excess amount of total guarantee over 50% of net assets (E)	–
Total amount of the above three categories (C+D+E)	1,341,089.07
Explanations on the possible joint and several liabilities for liquidation in respect of the outstanding guarantee	–
Explanations on the guarantee	

(2) Environmental protection responsibilities

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

(3) Contingent legal liabilities

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

BUSINESS PERFORMANCE

I. COAL OPERATIONS

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

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

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

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

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

II. COAL CHEMICAL OPERATIONS

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

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

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

Notes: 1. The production and sales volume of olefin does not include the production and sales volume of Mengda Engineering Plastics Project for the trial production.

2. For the purpose of comparison under identical statistical caliber, the 69,000 tonnes of methanol produced by the methanol facilities of Yulin Olefin Project during overhaul which was supplied to Mengda Engineering Plastics Project as intermediate is not included in the statistical scope for calculating the methanol production volume of the Company.

3. The methanol sales volume of the Company includes sales of 12,000 tonnes of all proprietary methanol products produced by Heilongjiang Coal Chemical Group, a subsidiary of China Coal Group, and does not include the internal self consumption of 335,000 tonnes.

III. COAL MINING EQUIPMENT OPERATIONS

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

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

Notes:

1. Since January 2017, the production value of coal mining equipment of Xi'an Coal Mining Machinery Co., Ltd. was no longer incorporated in the statistical scope of the Company and the corresponding date for the same period of 2016 was restated.

2. The revenue of the products in the table represents the sales revenue of the coal mining equipment segment before inter-segment elimination.

3. The total sales revenue of RMB2.48 billion included revenues generated from accessories, services and trading.

IV. ILLUSTRATION OF PROGRESS OF OPERATING PLANS

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

AUDIT AND RISK MANAGEMENT COMMITTEE

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

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

DISCLOSURE OF MAJOR EVENTS

I. DISTRIBUTION OF FINAL DIVIDENDS FOR 2016

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

II. INTERIM PROFIT DISTRIBUTION PLAN FOR 2017

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

III. ASSETS TRANSACTION

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

V. OTHER SIGNIFICANT EVENTS

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

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

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

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

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

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

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

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

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

VI. SUBSEQUENT EVENT

(I) Issuance of the corporate bonds

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

(II) Issuance of the short-term financing bonds

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

(III) Payment of short-term financing bonds due

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

(IV) Registration of medium-term notes

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

FORWARD-LOOKING STATEMENT

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

DEFINITIONS

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

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

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

By Order of the Board
China Coal Energy Company Limited
Chairman of the Board, Executive Director
Li Yanjiang

Beijing, the PRC, 23 August 2017

As at the date of this announcement, the executive Directors of the Company are Li Yanjiang and Peng Yi; the non-executive Directors of the Company are Liu Zhiyong, Du Ji'an and Xiang Xujia; and the independent non-executive Directors of the Company are Zhang Ke, Zhang Chengjie, and Leung Chong Shun.

The interim report of the Company for the six months ended 30 June 2017 will be despatched to the Shareholders shortly and will also be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company's website (www.chinacoalenergy.com).

* *For identification purpose only*