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 2018

FINANCIAL HIGHLIGHTS:

- Revenue of the Group in the first half of 2018 was RMB50.210 billion, representing a year-on-year increase of RMB12.880 billion (or 34.5%).
- Profit attributable to the equity holders of the Company in the first half of 2018 was RMB3.431 billion, representing a year-on-year increase of RMB1.202 billion.
- Basic earnings per share during the reporting period amounted to RMB0.26, representing a year-on-year increase of RMB0.09.
- EBITDA in the first half of 2018 was RMB11.124 billion, representing a year-on-year increase of RMB1.983 billion (or 21.7%).
- The Company does not distribute interim dividends for 2018.

The Board announces the interim results of the Group for the six months ended 30 June 2018 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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited) (Restated)
Revenue		**50,209,981**	37,330,161
Cost of sales			
Materials used and goods traded		**(25,533,797)**	(14,715,680)
Staff costs		**(2,091,907)**	(1,712,139)
Depreciation and amortisation		**(3,197,494)**	(2,967,611)
Repairs and maintenance		**(682,189)**	(686,434)
Transportation costs and port expenses		**(4,784,651)**	(4,692,303)
Sales taxes and surcharges		**(1,341,513)**	(1,147,584)
Others		**(2,748,349)**	(2,949,996)
Cost of sales		**(40,379,900)**	(28,871,747)
Gross profit		**9,830,081**	8,458,414
Selling expenses		**(330,606)**	(285,212)
General and administrative expenses		**(1,923,014)**	(1,737,556)
Other gains and losses		**30,951**	(694,483)
Profit from operations		**7,607,412**	5,741,163
Finance income	*6*	**324,327**	317,361
Finance costs	*6*	**(2,076,218)**	(1,944,030)
Share of profits of associates and joint ventures		**913,526**	400,838
Profit before income tax		**6,769,047**	4,515,332
Income tax expense	*7*	**(1,650,842)**	(1,088,502)
Profit for the period		**5,118,205**	3,426,830
Profit for the period attributable to:			
Equity holders of the Company		**3,431,341**	2,229,018
Non-controlling interests		**1,686,864**	1,197,812
		5,118,205	3,426,830

	Notes	Six months ended 30 June **2018** ***RMB'000*** **(Unaudited)**	 2017 *RMB'000* (Unaudited) (Restated)
Other comprehensive (expense) income:			
Items that will not be reclassified to profit or loss			
Fair value changes on equity instruments at fair value through other comprehensive income, net of tax		**(125,197)**	–
Items that may be reclassified subsequently to profit or loss			
Fair value changes on available-for-sale financial assets, net of tax		**–**	944
Fair value changes on debt instruments at fair value through other comprehensive income, net of tax		**11,318**	–
Exchange differences arising on translation of foreign operations		**(17,074)**	11,717
		(5,756)	12,661
Other comprehensive (expense) income for the period, net of tax		**(130,953)**	12,661
Total comprehensive income for the period		**4,987,252**	3,439,491
Total comprehensive income for the period attributable to:			
Equity holders of the Company		**3,297,715**	2,241,679
Non-controlling interests		**1,689,537**	1,197,812
		4,987,252	3,439,491
Basic and diluted earnings per share for profit attributable to equity holders of the Company (RMB)	*9*	**0.26**	0.17

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2018

	Note	**30 June 2018** *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited) (Restated)
Non-current assets			
Property, plant and equipment		**130,111,313**	130,417,437
Investment properties		**80,759**	82,493
Land use rights		**4,956,242**	4,973,408
Mining rights		**33,478,325**	32,784,227
Intangible assets		**1,661,782**	1,701,092
Goodwill		**6,084**	6,084
Investments in associates		**16,788,577**	16,376,591
Investments in joint ventures		**2,919,958**	2,626,321
Available-for-sale financial assets		**–**	3,491,691
Equity instruments at fair value through other comprehensive income		**3,530,611**	–
Deferred income tax assets		**2,504,653**	2,783,753
Long-term receivables		**610,454**	462,139
Other non-current assets		**6,245,819**	6,569,587
Total non-current assets		**202,894,577**	202,274,823
Current assets			
Inventories		**7,575,328**	7,515,836
Trade receivables	*10*	**6,897,302**	6,604,144
Notes receivables	*10*	**–**	9,016,342
Debt instruments at fair value through other comprehensive income	*10*	**7,078,287**	–
Contract assets		**422,485**	–
Prepayments and other receivables		**7,556,131**	7,258,006
Restricted bank deposits		**2,442,677**	2,455,643
Term deposits with initial terms of over three months		**7,748,730**	6,174,311
Cash and cash equivalents		**13,525,750**	10,130,000
		53,246,690	49,154,282
Assets classified as held for sale		**36,135**	–
Total current assets		**53,282,825**	49,154,282
TOTAL ASSETS		**256,177,402**	251,429,105

	Note	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited) (Restated)
Current liabilities			
Trade and notes payables	*11*	**20,506,650**	22,766,499
Accruals, advances and other payables		**13,532,171**	14,362,926
Contract liabilities		**1,761,590**	–
Taxes payables		**1,862,278**	2,253,189
Short-term bonds		**3,000,000**	3,000,000
Short-term borrowings		**6,577,347**	7,586,033
Current portion of long-term borrowings		**10,954,939**	13,872,506
Current portion of provision for close down, restoration and environmental costs		**18,451**	18,950
Total current liabilities		**58,213,426**	63,860,103
Non-current liabilities			
Long-term borrowings		**49,508,103**	44,634,977
Long-term bonds		**30,066,020**	26,866,347
Deferred income tax liabilities		**5,976,196**	5,988,603
Deferred revenue		**1,692,855**	1,698,928
Provision for employee benefits		**93,095**	78,718
Provision for close down, restoration and environmental costs		**1,306,621**	1,346,848
Other long-term liabilities		**741,562**	824,012
Total non-current liabilities		**89,384,452**	81,438,433
Total liabilities		**147,597,878**	145,298,536
Equity			
Share capital		**13,258,663**	13,258,663
Reserves		**45,682,924**	45,150,483
Retained earnings		**31,801,630**	30,600,583
Equity attributable to the equity holders of the Company		**90,743,217**	89,009,729
Non-controlling interests		**17,836,307**	17,120,840
Total equity		**108,579,524**	106,130,569
TOTAL EQUITY AND LIABILITIES		**256,177,402**	251,429,105

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 2018 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2.1 Going Concern

As at 30 June 2018, the Group's current liabilities exceeded its current assets by approximately RMB4,931 million. When the Group needs money to repay the short-term debts or make investment, the Group can finance the fund by following ways:

- Corporate bonds of RMB8,000 million to be issued, which had been approved by China Securities Regulatory Commission in December 2016, of which RMB1,000 million, RMB1,500 million, RMB1,700 million has been issued in July 2017, May 2018, June 2018 respectively, and the remaining RMB3,800 million can be issued when necessary;

- Long-term bonds of RMB10,000 million registered with National Association of Financial Market Institutional Investors in August 2017, the full amount can be issued when necessary;

- The Group's expected net cash inflows 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.

The directors of the Company have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing these condensed consolidated financial statements.

3. RESTATEMENTS ARISING FROM BUSINESS COMBINATIONS UNDER COMMON CONTROL

On 22 August 2017, the Group completed the acquisition from China Coal Group the 100% equity interest in China Japan Coal Co., Ltd. for a cash consideration of RMB38,719,000, 100% equity interest in China National Coal Group CORP. Japan office ("Japan office") and 100% equity interest in China National Coal Industry IMP. & EXP.Group CORP. Seoul office ("Seoul office") for a cash consideration of RMB609,000 in total. The acquisitions were collectively referred to as the 2017 Acquisitions.

On 25 June 2018, the Group completed the acquisition from China Coal Group the 100% equity interest in SDIC Jincheng Energy Investment Co., Ltd. ("Jincheng Energy"), which was acquired by China Coal Group on 1 January 2017, for a cash consideration of RMB1,712,545,000. The acquisition was referred to as the 2018 Acquisition.

As the Group, China Japan Coal Co., Ltd., Japan office, Seoul office and Jincheng Energy were under common control of China Coal Group before and after the 2017 and 2018 Acquisitions, the acquisitions are considered as business combinations under common control. The principle of merger accounting for business combination involving businesses under common control has therefore been applied. As a result, the condensed consolidated financial statements of the Group have been prepared as if China Japan Coal Co., Ltd., Japan office, Seoul office and Jincheng Energy were subsidiaries of the Group ever since they became under common control of China Coal Group.

As a result of 2018 Acquisition, the relevant line items in the condensed consolidated statement of financial position as at 31 December 2017 have been restated. The following table shows the effect for each individual line item affected:

	The Group (as previously reported)	**Effect of 2018 Acquisition**	**Eliminations**	**The Group** (restated)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Condensed consolidated statement of financial position at 31 December 2017:				
Non-current assets				
Property, plant and equipment	128,330,785	2,086,652	–	130,417,437
Land use rights	4,874,917	98,491	–	4,973,408
Mining rights	32,758,671	25,556	–	32,784,227
Intangible assets	1,697,221	3,871	–	1,701,092
Other non-current assets	6,554,876	14,711	–	6,569,587
Current assets				
Inventories	7,447,250	68,586	–	7,515,836
Trade receivables	6,516,966	103,783	(16,605)	6,604,144
Notes receivables	8,996,644	19,698	–	9,016,342
Prepayments and other receivables	7,182,505	75,501	–	7,258,006
Restricted bank deposits	2,455,643	201,028	(201,028)	2,455,643
Cash and cash equivalents	10,097,653	32,347	–	10,130,000
Current liabilities				
Trade and notes payables	22,492,310	290,794	(16,605)	22,766,499
Accruals, advances and other payables	14,514,646	49,308	(201,028)	14,362,926
Short-term borrowings	6,956,033	630,000	–	7,586,033
Current portion of long-term borrowings	13,696,106	176,400	–	13,872,506

	The Group (as previously reported)	Effect of 2018 Acquisition	Eliminations	The Group (restated)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities				
Long-term borrowings	43,083,827	1,551,150	–	44,634,977
Deferred revenue	1,694,405	4,523	–	1,698,928
Equity				
Share capital	13,258,663	1,056,680	(1,056,680)	13,258,663
Reserves	44,573,464	74,730	502,289	45,150,483
Retained earnings	31,179,158	(1,134,461)	555,886	30,600,583
Non-controlling interests	17,091,234	31,101	(1,495)	17,120,840

As a result of 2017 and 2018 Acquisitions, the relevant line items in the condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of cash flows for the six months ended 30 June 2017, have been restated. The following table shows the effect for each individual line item affected:

	The Group (as previously reported)	Reclassification	Effect of 2017 and 2018 Acquisitions	Eliminations	The Group (restated)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2017:					
Revenue	37,103,957	–	401,846	(175,642)	37,330,161
Cost of sales	(28,598,141)	–	(449,248)	175,642	(28,871,747)
Selling, general and administrative expenses	(2,732,135)	2,732,135	–	–	–
Selling expenses	–	(284,960)	(252)	–	(285,212)
General and administrative expenses	–	(1,728,917)	(8,639)	–	(1,737,556)
Other gains and losses	26,857	(718,258)	(3,082)	–	(694,483)
Finance income	317,004	–	357	–	317,361
Finance costs	(1,899,208)	–	(44,822)	–	(1,944,030)
Income tax expense	(1,088,479)	–	(23)	–	(1,088,502)
Condensed consolidated statement of cash flows for the six months ended 30 June 2017:					
Net cash generated from (used in):					
Operating activities	5,336,232	–	64,826	–	5,401,058
Investing activities	607,271	–	(37,454)	–	569,817
Financing activities	(2,193,739)	–	1,966	–	(2,191,773)

4. 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.

Other than changes in accounting policies resulting from application of new International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

In addition, the Group has applied Amendments to IFRS 9 *Prepayment Features with Negative Compensation* in advance of the effective date, i.e. 1 January 2019.

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

4.1 Impacts and changes in accounting policies of application on IFRS 15 *Revenue from Contracts with Customers*

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources:

- sales of coal
- sales of coal chemical products
- sales of coal mining machinery

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the related interpretations.

4.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Warranties

If a customer has the option to purchase a warranty separately, the Group accounts for the warranty as a separate performance obligation and allocates a portion of the transaction price to that performance obligation.

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications (i.e. service-type warranties).

4.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments

In the current period, the Group has applied IFRS 9 *Financial Instruments*, Amendments to IFRS 9 *Prepayment Features with Negative Compensation* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets, lease receivables and financial guarantee contracts) and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

4.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Debt instruments/receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments/receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method, are recognised in profit or loss. All other changes in the carrying amount of these debt instruments/receivables are recognised in OCI and accumulated under the heading of other reserves. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments/receivables. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments/receivables had been measured at amortised cost. When these debt instruments/receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the other reserves; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables, debt instruments at FVTOCI, long-term receivables, entrust loans, loans to the Parent Company and fellow subsidiaries, and amounts due from related parties/third parties included in prepayments and other receivables and other non-current assets, restricted bank deposits, term deposits and bank balances), lease receivables, contract assets and financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition, for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 *Leases*.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments/receivables that are measured at FVTOCI and financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial assets, contract assets and lease receivables by adjusting their carrying amount through a loss allowance account. For investments in debt instruments/receivables that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the other reserves without reducing the carrying amounts of these debt instruments/receivables.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

4.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item affected.

	31 December 2017 (Restated) *RMB'000*	IFRS 15 *RMB'000*	IFRS 9 *RMB'000*	1 January 2018 (Restated) *RMB'000*
Non-current Assets				
Available-for-sale financial assets	3,491,691	–	(3,491,691)	–
Equity instruments at FVTOCI	–	–	3,740,699	3,740,699
Deferred income tax assets	2,783,753	–	28,372	2,812,125
Current Assets				
Notes receivables	9,016,342	–	(9,016,342)	–
Debt instruments at FVTOCI	–	–	8,886,078	8,886,078
Non-current Liabilities				
Deferred income tax liabilities	5,988,603	–	64,505	6,053,108
Current Liabilities				
Accruals, advances and other payables	14,362,926	(2,630,650)	–	11,732,276
Contract liabilities	–	2,630,650	–	2,630,650
Equity				
Reserves	45,150,483	–	(26,097)	45,124,386
Retained earnings	30,600,583	–	131,259	30,731,842
Non-controlling interests	17,120,840	–	(22,551)	17,098,289

5. SEGMENT INFORMATION

5.1 General information

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

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

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) Operating and reportable segments

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

- Coal – Production and sales of coal;
- Coal chemical products – Production and sales of coal chemical products;
- Mining machinery – Manufacturing and sales of mining machinery; and
- Finance – Providing 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 'others' segment category.

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

(a) Measurement of operating and reportable segment profit or loss, assets and liabilities

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

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

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

	For the six months ended 30 June 2018 (Unaudited)								
	Coal	Coal chemical products	Mining 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*
Segment results									
Revenue									
Total revenue	39,007,091	8,613,623	3,204,350	–	50,825,064	1,646,197	–	(2,261,280)	50,209,981
Inter-segment revenue	(1,686,902)	(29,108)	(244,689)	–	(1,960,699)	(300,581)	–	2,261,280	–
Revenue from external customers	37,320,189	8,584,515	2,959,661	–	48,864,365	1,345,616	–	–	50,209,981
Profit(loss) from operations	6,571,056	1,367,550	80,484	909	8,019,999	(279,181)	(140,770)	7,364	7,607,412
Profit(loss) before income tax	6,384,183	1,143,069	31,031	336,851	7,895,134	(317,524)	(815,927)	7,364	6,769,047
Interest income	73,019	15,965	924	410,183	500,091	1,611	726,710	(904,085)	324,327
Interest expense	(698,984)	(673,250)	(46,292)	(74,061)	(1,492,587)	(39,778)	(1,463,347)	904,085	(2,091,627)
Depreciation and amortisation	(1,946,450)	(1,142,481)	(189,459)	(626)	(3,279,016)	(230,218)	(7,750)	–	(3,516,984)
Share of profits/(losses) of associates and joint ventures	422,356	433,250	(3,440)	–	852,166	–	61,360	–	913,526
Income tax (expense)/credit	(1,388,950)	(156,983)	(7,276)	(84,473)	(1,637,682)	(42,360)	34,887	(5,687)	(1,650,842)
Other material non-cash items									
(Provision for)/reversal of impairment of other assets	(6,968)	462	(9,129)	8,521	(7,114)	(21,443)	–	(7,821)	(36,378)
Segment assets and liabilities									
Total assets	142,405,446	61,728,278	17,995,090	13,134,992	235,263,806	18,203,098	13,789,364	(11,078,866)	256,177,402
Include: investment in associates and joint ventures	4,404,362	10,662,017	938,468	–	16,004,847	64,500	3,639,188	–	19,708,535
Addition to non-current assets	4,227,325	163,967	272,871	4	4,664,167	23,761	8,690	–	4,696,618
Total liabilities	42,656,841	24,815,319	6,249,214	3,737,727	77,459,101	8,792,907	70,157,685	(8,811,815)	147,597,878

	For the six months ended 30 June 2017 (Unaudited) (Restated) and 31 December 2017 (Audited) (Restated)								
	Coal *RMB'000*	Coal chemical products *RMB'000*	Mining machinery *RMB'000*	Finance *RMB'000*	Reportable segment total *RMB'000*	Others *RMB'000*	Unallocated *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Segment results									
Revenue									
Total revenue	30,929,241	4,576,179	2,484,443	–	37,989,863	1,244,480	–	(1,904,182)	37,330,161
Inter-segment revenue	(1,530,809)	(13,129)	(135,886)	–	(1,679,824)	(224,358)	–	1,904,182	–
Revenue from external customers	29,398,432	4,563,050	2,348,557	–	36,310,039	1,020,122	–	–	37,330,161
Profit(loss) from operations	5,682,804	485,590	81,890	(17,456)	6,232,828	(293,010)	(132,724)	(65,931)	5,741,163
Profit(loss) before income tax	5,100,362	342,655	26,354	199,596	5,668,967	(343,519)	(743,390)	(66,726)	4,515,332
Interest income	67,823	49,581	3,298	276,106	396,808	2,828	617,233	(699,508)	317,361
Interest expense	(633,523)	(464,350)	(45,635)	(58,909)	(1,202,417)	(52,431)	(1,371,657)	698,528	(1,927,977)
Depreciation and amortisation	(2,078,675)	(841,943)	(189,996)	(788)	(3,111,402)	(272,330)	(15,790)	–	(3,399,522)
Share of profits/(losses) of associates and joint ventures	9,883	272,071	(12,432)	–	269,522	–	131,316	–	400,838
Income tax (expense)/credit	(1,124,204)	(55,632)	3,058	(49,920)	(1,226,698)	(58,427)	212,131	(15,508)	(1,088,502)
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	135,065,837	62,458,182	17,691,353	8,549,747	223,765,119	17,008,003	20,357,495	(9,701,512)	251,429,105
Include: investment in associates and joint ventures	4,310,643	10,252,856	869,326	–	15,432,825	14,500	3,555,587	–	19,002,912
Addition to non-current assets	10,642,649	335,103	95,713	(201,189)	10,872,276	905,187	8,361	–	11,785,824
Total liabilities	42,877,541	25,895,483	6,510,104	5,522,127	80,805,255	8,280,296	64,107,391	(7,894,406)	145,298,536

5.3 Geographical information

Analysis of revenue

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Domestic markets	**49,991,157**	36,988,620
Overseas markets	**218,824**	341,541
	50,209,981	37,330,161

Note:

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

Analysis of non-current assets

	30 June	31 December
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
		(Restated)
Domestic	**196,134,582**	194,927,952
Overseas	**427**	438
	196,135,009	194,928,390

Note:

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

No revenue from transaction with single external customer is amounted to 10%, or more of the Group's revenue for the six months ended 30 June 2018 and 2017.

6. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Interest expense:		
– Bank borrowings	**1,818,599**	1,901,825
– Long-term and short-term bonds	**721,037**	704,053
– Unwinding of discount	**76,120**	34,324
Other incidental bank charges	**3,641**	3,682
Net foreign exchange (gains)/losses	**(19,050)**	12,371
Finance costs	**2,600,347**	2,656,255
Less: amounts capitalised on qualifying assets	**(524,129)**	(712,225)
Total finance costs	**2,076,218**	1,944,030
Finance income:		
– interest income on bank deposits	**238,101**	240,362
– interest income on loans to related parties	**86,226**	76,999
Total finance income	**324,327**	317,361
Finance costs, net	**1,751,891**	1,626,669

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	
	2018	2017
	(Unaudited)	(Unaudited)
Capitalisation rate used to determine the amount of finance costs eligible for capitalisation	**3.28%-5.63%**	4.70%-5.40%

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Current income tax		
– PRC enterprise income tax *(Note)*	**1,411,104**	1,069,585
Deferred income tax	**239,738**	18,917
	1,650,842	1,088,502

Note:

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 of 15% based on the relevant PRC tax laws and regulations.

8. DIVIDENDS

During the current interim period, a final dividend of RMB0.055 per share in respect of the year ended 31 December 2017 (six month ended 30 June 2017:RMB0.039 per share in respect of the year the year ended 31 December 2016), comprising 13,258,663,000 shares existed as at 31 December 2017 was approved at the annual general meeting of the Company held on 25 June 2018. The aggregate amount of the final dividend approved in the current interim period amounted to RMB724,328,000 (2016 final dividend approved during the six months ended 30 June 2017: RMB514,532,000).

The directors of the Company do not recommend the payment of an interim dividend for the current interim period (six months ended 30 June 2017: nil).

9. EARNINGS PER SHARE

Basic earnings per share for the six months ended 30 June 2018 and 2017 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 both periods.

As the Company had no potential ordinary shares in issue for the six months ended 30 June 2018 and 2017, diluted earnings per share equals to basic earnings per share.

10. TRADE AND NOTES RECEIVABLES/DEBT INSTRUMENTS AT FVTOCI

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited) (Restated)
Trade receivables, net	**6,897,302**	6,604,144
Notes receivables	**7,078,287**	9,016,342
	13,975,589	15,620,486
Analysed for reporting purposes as:		
Trade receivables	**6,897,302**	6,604,144
Notes receivables (classified as loans and receivables under IAS 39)	**–**	9,016,342
Debt instruments at FVTOCI (under IFRS 9)	**7,078,287**	–

Notes:

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

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited) (Restated)
Within 6 months	**4,577,392**	4,403,831
6 months – 1 year	**1,073,300**	941,803
1 – 2 years	**537,811**	611,788
2 – 3 years	**483,722**	518,857
Over 3 years	**724,225**	624,576
Trade receivables, gross	**7,396,450**	7,100,855
Less: Impairment of receivables	**(499,148)**	(496,711)
Trade receivables, net	**6,897,302**	6,604,144

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 notes due within one year based on the invoice date (31 December 2017: within one year).

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

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited) (Restated)
RMB	**6,688,140**	6,562,114
USD	**209,162**	42,030
	6,897,302	6,604,144

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

(e) As at 30 June 2018, debt instruments at FVTOCI of RMB197,298,000 (31 December 2017: notes receivables of RMB236,983,000) are pledged to banks for notes payables amounted to RMB194,836,000 (31 December 2017: RMB228,502,000).

As at 30 June 2018, debt instruments at FVTOCI of RMB42,312,000 (31 December 2017: notes receivables of RMB100,885,000) are pledged to banks for short term loan amounted to RMB42,800,000 (31 December 2017: RMB100,885,000).

As at 30 June 2018, trade receivables of RMB200,000,000 (31 December 2017: RMB200,000,000) were pledged to banks for long-term borrowings amounted to RMB112,500,000 (31 December 2017: RMB135,000,000).

(f) Transfers of financial assets

As at 30 June 2018, debt instruments at FVTOCI of RMB42,312,000 (31 December 2017: note receivables of RMB100,885,000) and RMB783,245,000 (31 December 2017: note receivables of RMB801,753,000) were discounted to banks and endorsed to suppliers of the Group, but were not derecognised as the Group has not transferred the significant risks and rewards relating to those notes.

As at 30 June 2018, the Group endorsed and discounted debt instruments at FVTOCI of RMB3,414,653,000 (31 December 2017: note receivables of RMB4,499,931,000) to suppliers and banks. In accordance with the relevant laws in the PRC, the holders of the notes receivable have a right of recourse against the Group if the issuing banks default payment. In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership relating to these notes receivable, and accordingly derecognised the full carrying amounts of the notes receivable and associated accounts payables.

The maximum exposure to loss from the Group's continuing involvement, if any, in the endorsed and discounted notes receivable equals to their carrying amounts. In the opinion of the directors of the Company, the fair values of the Group's continuing involvement in the derecognised notes receivable are not significant.

11. TRADE AND NOTES PAYABLES

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited) (Restated)
Trade payables *(Note)*	**17,675,109**	19,834,393
Notes payables	**2,831,541**	2,932,106
	20,506,650	22,766,499

Note:

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

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited) (Restated)
Less than 1 year	**12,569,996**	15,054,575
1 – 2 years	**1,596,604**	1,697,597
2 – 3 years	**1,047,145**	1,869,779
Over 3 years	**2,461,364**	1,212,442
	17,675,109	19,834,393

CHAIRMAN'S STATEMENT

Dear Shareholders:

Since the beginning of this year, amid a stable and favorable trend of macro economy and the comprehensive implementation of the supply-side structural reform, coal market enjoyed a steady operation and coal industry saw a significant improvement in quality and effectiveness, representing a good starting point for high-quality development. Seizing such encouraging opportunities in the first half of the year, and adhering to the principles of improving quality while maintaining stability, China Coal Energy enhanced reform and innovation, thus achieved significant growth in business results and sustained improvement in operation quality. On behalf of the Board, I would like to extend our sincere gratitude to all the Shareholders and the general public for their interest in and support for the Company, and hereby present the 2018 interim report to all Shareholders.

By seizing opportunities to explore the market, the Company reached a record high in operating revenue. Overcoming difficulties and focusing on solutions to outstanding problems that restrained production, the Company endeavored to maintain stable production and supply while improving high-quality supply capacity, and thus achieved a production volume of 36.81 million tonnes of commercial coal in the first half of the year. By adjusting sales strategies, the Company deepened the cooperation with customers under long-term agreements and expanded collaborative sales, and thus broke new ground for coal marketing and hit a record high of 74.29 million tonnes in coal sales volume, representing a year-on-year growth of 23.2%. With respect to coal chemicals, the Company maintained stable and high-level operation in coal chemical business, and achieved an output of 728,000 tonnes of polyolefin and 846,000 tonnes of urea. By taking advantage of high-quality characteristics and the centralised sales of coal chemical products, the Company closely catered to market demands, thus sold out all the products produced. With respect to coal mining equipment, seizing the opportunity of market recovery, the Company increased contract orders and expanded the non-coal business, and thus attaining a record high in the performance with a production volume of coal mining equipment of 168,000 tonnes, representing a year-on-year growth of 28.6%. Within the reporting period, the Company realized operating revenue of RMB50.2 billion, representing a year-on-year growth of 34.5%.

The Company's profit continued to increase significantly as a result of its efforts in tapping potentials to reduce cost and improve efficiency. The Company's raw coal production efficiency was at the leading position in the industry, and the production cost of self-produced commercial coal recorded a year-on-year decrease of 1.8 percentage points due to its great efforts in the deepening of lean management, continuous optimization of production process, improvement of unit output and unit road-heading level as well as higher production efficiency. The unit material consumption of coal chemical products hits an all-time low as a result of strengthened operational management and continuous technical innovation, thus effectively offsetting the impact of rising raw material prices. Moreover, the Company tightened up budget execution, practiced rigorous staff appraisal and supportive incentives, continued to apply positive reinforcement measures, as well as focused on quality and efficiency improvement. All these enabled the Company to achieve a ratio of profits to cost of 15.3%, representing a year-on-year growth of 1.4 percentage points. With respect to external investment, the Company optimized the management of equity interests and coordinated the development of principal business, and consequently achieved a year-on-year growth of 127.9% in external investment return, which became a new profit growth point of the Company. During the reporting period, the Company recorded a profit before income tax of RMB6.769 billion, representing a year-on-year growth of 49.9%, while the profit attributable to equity holders of the Company amounted to RMB3.43 billion, representing a year-on-year growth of 53.9%, reflecting a new record high in recent years as well as significant profit improvement of the Company.

Higher quality of business operation was achieved through fortified fundamentals and prudent management. The Company was committed to lean and healthy operation, accelerated the disposal of inefficient and ineffective assets, and stripped the functions of "Three Supplies and One Property (i.e. water/power/air supply and property)" as well as other social functions previously assumed by the Company so as to strengthen the fundamentals for and capacity of profit making and improve asset quality and benefit creativity. With respect to financing activities, the Company appropriately arranged the financing size, optimized the financing structure, innovated the financing modes, and expanded the cooperation with banks. Accordingly, the Company successfully issued corporate bonds with a total value of RMB7.0 billion with the lowest issuance cost in the industry. The works of "de-capacity, de-inventory, de-leveraging, reducing cost and improving weak links" continued to be proceeded, and great efforts have been made in clearing inventories and collecting accounts receivables. Occupancy by receivables and inventories was hence under effective control and was basically the same as compared to the same period of last year. While operating revenue maintained a significant growth. Financial expenses continued to decrease when calculated in accordance with the same caliber as a result of an improved debt structure and an effectively controlled debt level. As at the end of the reporting period, the Company's debt/asset ratio was 57.6%, representing the lowest level since 2012 as calculated on the same caliber. Operating cash flow continued to increase, with the net inflow amounting to RMB8.256 billion, representing a year-on-year growth of 52.9%.

Along with deepened reforms and optimized adjustments, the Company achieved new progress in business transformation and upgrade. The Company promoted the restruction of marketing system, improved logistics network and integrated sales resources. After acquiring SDIC Jincheng Energy Investment Co., Ltd., the Company increased the anthracite reserve by 320 million tonnes, which made it an integrated supplier offering all the three types of coals, namely thermal coal, coking coal and anthracite and further enriched its product structure. The Company took advantage of favorable national policies to accelerate capacity renewal, actively applied for approval of expansion of high-quality production capacity, optimized and adjusted the allocation of resources. As at the end of June, proposals on capacity renewal of seven coal mines, including Dahaize Coal Mine, have been approved by National Energy Administration. Adhering to the principal of efficient mining and clean utilization of coal, a significant progress was achieved in the construction of key projects. For example, the construction of Muduchaideng Coal Mine, Nalin River No.2 Coal Mine and Xiaohuigou Coal Mine was progressing steadily and orderly. Three coal-power generation plants under construction are expected to be put into operation by the end of the year. The construction of the one-million-tonne coal-to-methanol project of Ordos Energy Chemical Company will soon be commenced. The advantages of the Company arising from the integration of coal, electricity and coal chemical business will be strengthened and the industrial structure will be further optimized upon the completion and operation of the above mentioned projects.

Guided by science and technology and driven by innovation, the Company's core competitiveness was further enhanced. With a focus on high-quality development and close attention to the frontier of industrial science and technology, the Company implemented a strategy of growth driven by innovation as assuming its role as a base for mass entrepreneurship and innovation. By establishing and improving scientific and research institutions and integrating strengths to improve the research capacity, the Company further improved the system of technology R&D and the utilization and commercialization of research achievements. Deeply rooted in intelligent manufacturing, the Company made new breakthroughs in many key technologies, such as coal roadway rapid excavation, no-roadway mining, and shaft-sinking with TBM, while commercialization of certain new products was realized and 110 patents were granted in the first half of the year. The Company also made new achievements in the development of coal chemical products, including the successful production of new differentiated urea products and more than 20 types of new qualified polyolefin products, which has brought good economic benefits to the Company.

The Company is committed to natural environment protection and green development, devoted to benefitting people's livelihood. The Company was determined to promote conservation culture and to implement the national policy of saving resources and protecting the environment. Therefore the Company accelerated the construction of coal mine renovation projects, such as the ultra-low discharge project of coal gangue comprehensive utilization units as well as the project of fully enclosed coal plants. As a result, the air quality in the coal mining area was improved continuously. The Company vigorously promoted the construction of green mines by progressing the demonstration project of ecological restoration and treatment of the coal gangue dumping site at Pingshuo Mining Area with high standards. In addition, the Company took the lead in building a deep treatment project of mine water with high salt density in the western mining areas, with an aim of improving the comprehensive treatment and recycling level of the mine water. Aiming to build an intrinsically safe enterprise, the Company spared no effort to prevent and control major disasters, and strove to improve the safety protection level in order to fully realize safe production. The Company drew on strengths to actively perform social responsibilities and support targeted poverty alleviation, thereby promoting positive social impacts. Besides, a win-win situation between local communities and the Company was realized as a number of major investment projects contributed to the growth of local economies and employment. The total social contribution value per share amounted to RMB1.33 for the first half of the year.

At present, key economic indicators continues to improve in China. GDP for the first half of the year grew by 6.8% year-on-year, while manufacturing PMI kept beyond 50%, pointing to a solid trend and foundation of stable and rapid growth of economy. Energy demands increased significantly with a year-on-year growth of 9.4% in national power consumption and year-on-year growth of more than 3% in national coal consumption. As regards to coal supply, the industry saw an accelerated pace of superior capacity release, steady improvement in utilization rate of coal production capacity, and sustained scale of coal import. With the implementation of the policies for cutting overcapacity, ensuring supply and stabilizing coal price, it is estimated that supply and demand in the coal market will stay balanced for a certain period in the future, and coal price will be generally stable. Meanwhile, it is also noted that as the external environment is becoming more uncertain, the structural adjustment in China is at a critical stage, and challenges for realizing stable economic growth remains huge. The Company will pay close attention to market changes, take active actions, keep abreast of new trends, adapt to new requirements, accelerate business adjustment, transformation and upgrade, and strive to develop into a world-class clean energy supplier with global competitiveness.

In the second half of the year, to facilitate the achievement of the annual production and operation targets, the Company will follow general principal of "seeking progress in stability", firmly establish the new development philosophy and focus on the improvement of development quality and core competitiveness. Further deepening of supply-side structural reform will remain the major policy direction, and major efforts will be spent in the organization of production and sales, expansion of market and enhancement of quality and efficiency. In addition, the Company will coordinate resources to carry out the tasks of maintaining sustained growth, driving reform, ensuring safety, preventing risk and boosting development, so as to achieve better business results. The new era opens up a new journey and new endeavors realize a new dream. The management and all staff of the Company will seize the opportunities and go all out with great enthusiasm, to make new contribution to the accomplishment of the tasks set for 2018 and the solid progress of reforms and business development.

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 2018, amid a continuous stable and favorable trend of macro economy and the comprehensive implementation of the supply-side structural reform, coal market enjoyed steady operation. Sticking to the principle of "seeking progress in stability"and the firmly established and implemented new development philosophy, and centering on promoting quality and benefit as well as core competitiveness, the Group firmly promoted reform, innovation and structural adjustment, seized opportunities to actively expand the market, scientifically and orderly organised production and sales, strengthened cost control by exploring potentials, and performed a solid and reliable leverage reduction and control to prevent risks, and thus witnessed further enhanced operation quality and efficiency, a continuous rapid increase in revenue and profit as well as a further improvement in financial stability.

Unit: RMB100 million

	For the six months ended 30 June 2018	For the six months ended 30 June 2017 (restated)	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease (%)
Revenue	**502.10**	373.30	128.80	34.5
Profit before income tax	**67.69**	45.15	22.54	49.9
EBITDA	**111.24**	91.41	19.83	21.7
Profit attributable to the equity holders of the Company	**34.31**	22.29	12.02	53.9
Net cash generated from operating activities	**82.56**	54.01	28.55	52.9

Unit: RMB100 million

	As at 30 June 2018	As at 31 December 2017 (restated)	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease (%)
Assets	**2,561.77**	2,514.29	47.48	1.9
Liabilities	**1,475.98**	1,452.98	23.00	1.6
Interest-bearing debts	**1,001.06**	959.60	41.46	4.3
Equity holder's equity	**1,085.79**	1,061.31	24.48	2.3
Equity attributable to the equity holders of the Company	**907.43**	890.10	17.33	1.9
Gearing ratio = [total interest-bearing debts/(total interest-bearing debts + equity)]	**48.0**	47.5		An increase of 0.5 percentage point

II. OPERATING RESULTS

(1) Consolidated operating results

1. *Revenue*

For the six months ended 30 June 2018, the Group's revenue (net of inter-segmental sales) increased from RMB37.33 billion for the six months ended 30 June 2017 to RMB50.21 billion, representing an increase of RMB12.88 billion or 34.5%, which was mainly due to the expansion of sales volume and year-on year increase of selling prices of coal and coal chemical business, as well as a year-on-year increase in the sales volume of coal mining equipment operations due to the firm grasp of the market recovery opportunities.

Revenue net of inter-segmental sales from each operating segment of the Group for the six months ended 30 June 2018 and the changes as compared to the same period of 2017 are set out as follows:

Unit: RMB100 million

	Revenue net of inter-segmental sales		**Increase/decrease**	
	For the six months ended 30 June 2018	For the six months ended 30 June 2017 (restated)	Increase/ decrease in amount	Increase/ decrease (%)
Coal operations	**373.20**	293.98	79.22	26.9
Coal chemical operations	**85.85**	45.63	40.22	88.1
Coal mining equipment operations	**29.60**	23.49	6.11	26.0
Financial operations and other operations	**13.45**	10.20	3.25	31.9
Total	**502.10**	373.30	128.80	34.5

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 2018 and the changes as compared to the same period of 2017 are set out as follows:

	Proportion of revenue net of inter-segmental sales (%)		
	For the six months ended 30 June 2018	For the six months ended 30 June 2017 (restated)	Increase/ decrease in *(percentage point(s))*
Coal operations	**74.3**	78.8	-4.5
Coal chemical operations	**17.1**	12.2	4.9
Coal mining equipment operations	**5.9**	6.3	-0.4
Financial operations and other operations	**2.7**	2.7	–

2. *Cost of sales*

For the six months ended 30 June 2018, the Group's cost of sales increased from RMB28.872 billion for the six months ended 30 June 2017 to RMB40.38 billion, representing an increase of 39.9%.

Materials used and goods traded costs increased by 73.5% from RMB14.716 billion for the six months ended 30 June 2017 to RMB25.534 billion, which was attributable to, among others, the increase in sales volume of proprietary coal trading as a result of the Group's intention of expanding its market share of coal operations, a year-on-year increase in the production and sales volume of polyolefins, the rise in procurement price of raw materials in coal chemical operations, and year-on-year increases both in the sales volume of coal mining equipment operations and the steel procurement price.

Staff costs increased by 22.2% from RMB1.712 billion for the six months ended 30 June 2017 to RMB2.092 billion, which was mainly attributable to the increase in staff remuneration as a result of the growth of the Group's economic benefits and the expansion of its operating scale.

Depreciation and amortization costs increased by 7.7% from RMB2.968 billion for the six months ended 30 June 2017 to RMB3.197 billion, which was mainly attributable to the commencement of production in Mengda Engineering Plastics Project of the Group.

Repairs and maintenance costs decreased by 0.6% from RMB686 million for the six months ended 30 June 2017 to RMB682 million.

Transportation costs and port expenses increased by 2.0% from RMB4.692 billion for the six months ended 30 June 2017 to RMB4.785 billion, which was mainly attributable to the expansion of the Group's sales scale.

Sales taxes and surcharges increased by 16.9% from RMB1.148 billion for the six months ended 30 June 2017 to RMB1.342 billion, which was mainly attributable to the year-on-year increase in the resources tax, consumption tax, urban maintenance and construction tax and education surcharge affiliated to the year-on-year increase in the sales price of the Group's major products, and the payment of water resources tax according to the relevant "Tax-for-Fee" pilot policy.

Outsourcing mining engineering fees increased by 20.4% from RMB599 million for the six months ended 30 June 2017 to RMB721 million, which was mainly attributable to the increase in the outsourcing mining engineering volume of the coal production enterprises of the Group.

Other costs decreased by 13.8% from RMB2.351 billion for the six months ended 30 June 2017 to RMB2.027 billion, which was mainly attributable to the year-on-year decrease in mining engineering expenditure and auxiliary production expenses for relevant coal mines resulting from the implementation of the de-capacity policy by the Group.

3. *Gross profit and gross profit margin*

For the six months ended 30 June 2018, the integrated gross profit margin of the Group decreased by 3.1 percentage points from 22.7% for the six months ended 30 June 2017 to 19.6%, which was attributable to the increase in sales volume of proprietary coal trading and the rise in raw material prices of coal chemical operations. However, the gross profit increased by 16.2% from RMB8.458 billion for the six months ended 30 June 2017 to RMB9.830 billion as a result of the expansion of business scale, increase in sales prices of major products as well as effective control of costs.

The gross profit and gross profit margin of each of the Group's operating segments for the six months ended 30 June 2018 and the changes as compared to the same period of 2017 are as follows:

Unit: RMB100 million

	Gross profit			Gross profit margin (%)		
	For the six months ended 30 June 2018	For the six months ended 30 June 2017 (restated)	Increase/ decrease (%)	**For the six months ended 30 June 2018**	For the six months ended 30 June 2017 (restated)	Increase/ decrease *(Percentage point(s))*
Coal operations	**79.11**	74.42	6.3	**20.3**	24.1	-3.8
Self-produced commercial coal	**76.47**	73.12	4.6	**40.6**	38.5	2.1
Proprietary coal trading	**2.11**	1.24	70.2	**1.1**	1.1	–
Coal chemical operations	**16.59**	8.80	88.5	**19.3**	19.2	0.1
Coal mining equipment operations	**3.90**	2.68	45.5	**12.2**	10.8	1.4
Financial operations and other operations	**-1.40**	-0.48	191.7	**-8.5**	-3.9	-4.6
Group	**98.30**	84.58	16.2	**19.6**	22.7	-3.1

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

For the six months ended 30 June 2018, the revenue from coal operations of the Group increased from RMB30.929 billion for the six months ended 30 June 2017 to RMB39.007 billion, representing an increase of 26.1%. Revenue net of inter-segmental sales increased from RMB29.398 billion for the six months ended 30 June 2017 to RMB37.320 billion, representing an increase of 26.9%.

For the six months ended 30 June 2018, revenue from sales of self-produced commercial coal of the Group decreased from RMB18.982 billion for the six months ended 30 June 2017 to RMB18.856 billion, representing a decrease of 0.7%. Revenue net of inter-segmental sales decreased from RMB18.799 billion for the six months ended 30 June 2017 to RMB18.678 billion, representing a decrease of 0.6%, of which revenue from thermal coal was RMB14.154 billion, representing a year-on-year decrease of RMB436 million; revenue from coking coal was RMB4.524 billion, representing a year-on-year increase of RMB315 million. For the six months ended 30 June 2018, the Group's sales of self-produced commercial coal was 35.11 million tonnes, recorded a year-on-year decrease of 2.37 million tonnes, leading to a decrease in sales revenue by RMB1.192 billion; weighted average sales price of self-produced commercial coal was RMB532/tonne, recorded a year-on-year increase of RMB30/tonne, leading to an increase in sales revenue by RMB1.071 billion.

For the six months ended 30 June 2018, revenue from sales of proprietary coal trading increased from RMB11.704 billion for the six months ended 30 June 2017 to RMB19.914 billion, representing an increase of 70.1%. Revenue net of inter-segmental sales increased from RMB10.377 billion for the six months ended 30 June 2017 to RMB18.434 billion, representing an increase of 77.6%.

For the six months ended 30 June 2018, revenue from coal agency services of the Group increased from RMB17 million for the six months ended 30 June 2017 to RMB24 million, representing an increase of RMB7 million.

The Group's coal sales volume and selling price for the six months ended 30 June 2018 and the changes as compared to the same period of 2017 are set out as follows:

			For the six months ended 30 June 2018		For the six months ended 30 June 2017 (restated)		**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. Self-produced commercial coal	Total		**3,511**	**532**	3,748	502	-237	30	-6.3	6.0
	(I)	Thermal coal	**3,057**	**463**	3,255	448	-198	15	-6.1	3.3
		1. Domestic sale	**3,057**	**463**	3,246	448	-189	15	-5.8	3.3
		2. Export	☆	☆	9	577	-9	–	-100.0	–
	(II)	Coking coal	**454**	**997**	493	854	-39	143	-7.9	16.7
		Domestic sale	**454**	**997**	493	854	-39	143	-7.9	16.7
II. Proprietary coal Trading	Total		**3,520**	**524**	2,070	501	1,450	23	70.0	4.6
	(I)	Domestic resale	**3,507**	**520**	1,958	498	1,549	22	79.1	4.4
	(II)	Self-operated exports*	**11**	**1,547**	13	1,250	-2	297	-15.4	23.8
	(III)	Import trading	**2**	**656**	99	468	-97	188	-98.0	40.2
III. Import and export and domestic agency★	Total		**398**	**6**	214	8	184	-2	86.0	-25.0
	(I)	Import agency	**19**	**5**	25	6	-6	-1	-24.0	-16.7
	(II)	Export agency	**132**	**8**	147	8	-15	0	-10.2	–
	(III)	Domestic agency	**247**	**5**	42	9	205	-4	488.1	-44.4

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

• *Cost of sales*

For the six months ended 30 June 2018, cost of sales for the Group's coal operations increased from RMB23.487 billion for the six months ended 30 June 2017 to RMB31.096 billion, representing an increase of 32.4%. The major cost items and changes as compared to the same period of 2017 are set out as follows:

Unit: RMB100 million

Item	For the six months ended 30 June 2018	Percentage (%)	For the six months ended 30 June 2017 (restated)	Percentage (%)	Increase/decrease Increase/ decrease in amount	Increase/ decrease (%)
Materials costs	**17.08**	**5.5**	18.84	8.0	-1.76	-9.3
Proprietary coal trading cost ☆	**186.35**	**59.9**	109.22	46.5	77.13	70.6
Staff costs	**12.78**	**4.1**	10.75	4.6	2.03	18.9
Depreciation and amortisation	**17.47**	**5.6**	17.99	7.7	-0.52	-2.9
Repairs and maintenance	**4.06**	**1.3**	4.28	1.8	-0.22	-5.1
Transportation costs and port expenses	**42.94**	**13.8**	41.91	17.8	1.03	2.5
Sales taxes and surcharges	**11.47**	**3.7**	10.37	4.4	1.10	10.6
Outsourcing mining engineering fees	**7.21**	**2.3**	5.99	2.6	1.22	20.4
Other costs ★	**11.60**	**3.8**	15.52	6.6	-3.92	-25.3
Total cost of sales for coal operations	**310.96**	**100.0**	234.87	100.0	76.09	32.4

☆: This cost does not include transportation costs that is related to proprietary coal trading. Such transportation costs amounted to RMB1.068 billion for the period from January to June 2018 and 658 million for the period from January to June 2017.

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

For the six months ended 30 June 2018, the Group's sales volume of self-produced commercial coal (before netting of inter-segmental sales) was 36.29 million tonnes, while the cost of sales was RMB11.209 billion, representing a year-on-year decrease of RMB461 million or 4.0%. The unit cost of sales of self-produced commercial coal was RMB308.88/tonne, representing a year-on-year increase of RMB5.14/tonne or 1.7%. The Group's sales volume of proprietary coal trading (before netting of other inter-segmental sales) was 38.98 million tonnes, while the cost of sales was RMB19.703 billion, representing a year-on-year increase of RMB8.123 billion or 70.1%. The unit cost of sales of proprietary coal trading was RMB505.49/tonne, representing a year-on-year increase of RMB30.23/tonne or 6.4%.

The Group's unit cost of sales of self-produced commercial coal for the six months ended 30 June 2018 and the year-on-year changes are set out as follows:

Unit: RMB/tonne

Item	**For the six months ended 30 June 2018**	**Percentage** *(%)*	For the six months ended 30 June 2017 (restated)	Percentage *(%)*	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease *(%)*
Materials costs	**47.06**	**15.2**	49.03	16.1	-1.97	-4.0
Staff costs	**35.21**	**11.4**	27.99	9.2	7.22	25.8
Depreciation and amortisation	**48.13**	**15.6**	46.82	15.4	1.31	2.8
Repairs and maintenance	**11.17**	**3.6**	11.14	3.7	0.03	0.3
Transportation costs and port expenses	**88.90**	**28.8**	91.97	30.3	-3.07	-3.3
Sales taxes and surcharges	**31.60**	**10.2**	26.98	8.9	4.62	17.1
Outsourcing mining engineering fees	**19.87**	**6.4**	15.60	5.1	4.27	27.4
Other costs	**26.94**	**8.8**	34.21	11.3	-7.27	-21.3
Total unit cost of sales of self-produced commercial coal	**308.88**	**100.0**	303.74	100.0	5.14	1.7

Unit materials costs decreased by RMB1.97/tonne year-on-year, which was mainly attributable to the reduction in material consumption as a result of cost control enhancement by the Group.

Unit staff costs increased by RMB7.22/tonne year-on-year, which was mainly attributable to the increase in staff remuneration according to the Group's raise in economic benefit.

Unit depreciation and amortisation costs increased by RMB1.31/tonne year-on-year, which was mainly attributable to a year-on-year decrease in the Group's self-produced commercial coal production volume during the reporting period.

Unit repairs and maintenance costs increased by RMB0.03/tonne year-on-year.

Unit transportation costs and port expenses decreased by RMB3.07/tonne year-on-year, which was mainly attributable to the year-on-year decrease in the proportion of the Group's sales volume of seaborne coal.

Unit sales taxes and surcharges increased by RMB4.62/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 affiliated to the year-on-year increase in selling price of self-produced commercial coal of the Group, and the payment of water resources tax according to the relevant "Fee to Tax" pilot policy.

Unit outsourcing mining engineering fees increased by RMB4.27/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 decreased by RMB7.27/tonne year-on-year, which was mainly attributable to the year-on-year decrease in mining engineering cost and auxiliary production expenses for relevant coal mines resulting from the implementation of the de-capacity policy by the Group.

- *Gross profit and gross profit margin*

For the six months ended 30 June 2018, the Group's gross profit margin from coal operations decreased by 3.8 percentage points from 24.1% for the six months ended 30 June 2017 to 20.3%, which was attributable to the increase in sales volume of proprietary coal trading to expand market shares. However, the gross profit increased by 6.3% from RMB7.442 billion for the six months ended 30 June 2017 to RMB7.911 billion as a result of the increase in sales prices and effective control of production costs.

2. Coal chemical segment

- *Revenue*

For the six months ended 30 June 2018, the Group's revenue from coal chemical operations increased from RMB4.576 billion for the six months ended 30 June 2017 to RMB8.614 billion, representing an increase of 88.2%, and revenue net of other inter-segmental sales increased by 88.1% from RMB4.563 billion for the six months ended 30 June 2017 to RMB8.585 billion. It was mainly due to the combined effects from the year-on-year increase both in production and sales volume of polyolefin resulting from the commencement of operation in Mengda Engineering Plastics Project and the system overhaul implemented in Shaanxi Company, as well as the year-on-year increase in selling price of major coal chemical products.

For the six months ended 30 June 2018, among the Group's major coal chemical products, the external sales revenue of polyethylene increased by RMB1.877 billion or 172.4% from RMB1.089 billion for the same period of 2017 to RMB2.966 billion; the external sales revenue of polypropylene increased by RMB1.807 billion or 176.1% from RMB1.026 billion for the same period of 2017 to RMB2.833 billion; the external sales revenue of urea increased by RMB298 million or 19.0% from RMB1.565 billion for the same period of 2017 to RMB1.863 billion; the external sales revenue of methanol decreased by RMB104 million or 62.7% from RMB166 million for the same period of 2017 to RMB62 million.

The sales volume and selling price of the major chemical products of the Group for the six months ended 30 June 2018 and the year-on-year changes are set out as follows:

	For the six months ended 30 June 2018		For the six months ended 30 June 2017		**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. Polyolefin	**73.0**	**7,946**	28.0	7,538	45.0	408	160.7	5.4
Polyethylene	**36.2**	**8,204**	13.4	8,111	22.8	93	170.1	1.1
Polypropylene	**36.8**	**7,693**	14.6	7,011	22.2	682	152.1	9.7
II. Urea♦	**103.6**	**1,799**	115.8	1,352	-12.2	447	-10.5	33.1
III. Methanol●	**2.5**	**2,466**	7.5	2,207	-5.0	259	-66.7	11.7

♦: Including sales of small granular urea produced by Lingshi China Coal Chemical Co., Ltd., a subsidiary of the China Coal Group with 103,300 tonnes. No such item occurred in the same period last year.

●: 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. No such item occurred in the reporting period.

2. The amount for internal use within the Group is eliminated, which was 263,600 tonnes for the period from January to June of 2018, eliminating sales revenue of RMB546 million, and 335,000 tonnes for the period from January to June of 2017, eliminating sales revenue of RMB588 million.

- *Cost of sales*

For the six months ended 30 June 2018, cost of sales for the Group's coal chemical operations increased from RMB3.696 billion for the six months ended 30 June 2017 to RMB6.955 billion, representing an increase of 88.2%. The details of changes in the major cost items are set out as follows:

Unit: RMB100 million

Item	**For the six months ended 30 June 2018**	**Percentage (%)**	For the six months ended 30 June 2017	Percentage (%)	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease (%)
Materials costs	**42.94**	**61.7**	15.93	43.1	27.01	169.6
Staff costs	**3.13**	**4.5**	2.03	5.5	1.10	54.2
Depreciation and amortisation	**11.00**	**15.8**	8.17	22.1	2.83	34.6
Repairs and maintenance	**2.25**	**3.2**	2.06	5.6	0.19	9.2
Transportation costs and port expenses	**4.49**	**6.5**	4.67	12.6	-0.18	-3.9
Sales taxes and surcharges	**1.42**	**2.0**	0.65	1.8	0.77	118.5
Other costs	**4.32**	**6.3**	3.45	9.3	0.87	25.2
Total cost of sales for coal chemical operations	**69.55**	**100.0**	36.96	100.0	32.59	88.2

The cost of sales of the major coal chemical products of the Group for the year ended 30 June 2018 and the changes as compared to the same period of 2017 are set out as follows:

Item	**Cost of sales *(RMB100 million)*** For the six months ended 30 June 2018	For the six months ended 30 June 2017	Increase/ decrease in amount	**Unit cost of sales *(RMB/tonne)*** For the six months ended 30 June 2018	For the six months ended 30 June 2017	Increase/ decrease in amount
Polyolefin	**48.57**	16.40	32.17	**6,657**	5,842	815
Polyethylene	**24.12**	7.93	16.19	**6,674**	5,906	768
Polypropylene	**24.45**	8.47	15.98	**6,640**	5,783	857
Urea	**13.00**	13.37	-0.37	**1,255**	1,157	98
Methanol	**0.55**	1.57	-1.02	**2,183**	2,089	94

For the six months ended 30 June 2018, the Group's cost of sales of polyolefin was RMB4.857 billion, representing a year-on-year increase of RMB3.217 billion; the unit cost of sales of polyolefin was RMB6,657/tonne, representing a year-on-year increase of RMB815/tonne, which was mainly due to the combined effects of the year-on-year increase in both the production and sales of polyolefin resulting from the commencement of operation in Mengda Engineering Plastics Project and the system overhaul implemented in Shaanxi Company in the same period last year, as well as the year-on-year increase in price of raw materials. Cost of sales of urea was RMB1.3 billion, representing a year-on-year decrease of RMB37 million; the unit cost of sales of urea was RMB1,255/tonne, representing a year-on-year increase of RMB98/tonne, which was mainly due to the combined effects such as the price rise of raw materials and the year-on-year decrease in production and sales. Cost of sales of methanol was RMB55 million, representing a year-on-year decrease of RMB102 million, which was mainly due to the decrease in sales volume resulting from the overhaul of facilities; the unit cost of sales of methanol was RMB2,183/tonne, representing a year-on-year increase of RMB94/tonne.

- *Gross profit and gross profit margin*

For the six months ended 30 June 2018, the gross profit margin of the Group's coal chemical operations segment increased from 19.2% for the six months ended 30 June 2017 to 19.3%, representing an increase of 0.1 percentage point. The gross profit increased by 88.5% from RMB880 million for the six months ended 30 June 2017 to RMB1.659 billion, which was due to the increase in sales volume of polyolefin and price rise of coal chemical products.

3. Coal mining equipment segment

- *Revenue*

For the six months ended 30 June 2018, the Group's revenue from the coal mining equipment operations increased from RMB2.484 billion for the six months ended 30 June 2017 to RMB3.204 billion, representing an increase of 29.0%, of which the revenue net of intersegmental sales increased from RMB2.349 billion for the six months ended 30 June 2017 to RMB2.96 billion, representing an increase of 26.0%. This was mainly due to the year-on-year increase in sales volume of coal mining equipment as a result of the firm grasp of the market recovery opportunities by the Group and the year-on-year increase in selling price.

- *Cost of sales*

For the six months ended 30 June 2018, the Company's cost of sales for the coal mining equipment operations increased from RMB2.216 billion for the six months ended 30 June 2017 to RMB2.814 billion, representing an increase of 27.0%. 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 2018	Percentage (%)	For the six months ended 30 June 2017	Percentage (%)	Increase/decrease: Increase/ decrease in amount	Increase/decrease: Increase/ decrease (%)
Materials costs	**20.43**	**72.6**	14.23	64.2	6.20	43.6
Staff costs	**2.68**	**9.5**	2.68	12.1	–	–
Depreciation and amortisation	**1.53**	**5.4**	1.55	7.0	-0.02	-1.3
Repairs and maintenance	**0.14**	**0.5**	0.14	0.6	–	–
Transportation costs	**0.55**	**2.0**	0.36	1.6	0.19	52.8
Sales taxes and surcharges	**0.13**	**0.5**	0.16	0.7	-0.03	-18.8
Other costs	**2.68**	**9.5**	3.04	13.8	-0.36	-11.8
Total cost of sales for coal mining equipment operations	**28.14**	**100.0**	22.16	100.0	5.98	27.0

- *Gross profit and gross profit margin*

For the six months ended 30 June 2018, the gross profit of the Group's coal mining equipment operations segment increased from RMB268 million for the six months ended 30 June 2017 to RMB390 million, representing an increase of 45.5%; and the gross profit margin increased from 10.8% for the six months ended 30 June 2017 to 12.2%, representing an increase of 1.4 percentage points.

4. *Financial and other operating segments*

The Group's finance operations and other operations mainly include finance company, thermal power generation and other operations.

For the six months ended 30 June 2018, the Group's revenue from finance operations and other operations increased from RMB1.244 billion for the six months ended 30 June 2017 to RMB1.646 billion, representing an increase of 32.3%. The revenue net of other inter-segmental sales increased from RMB1.02 billion for the six months ended 30 June 2017 to RMB1.345 billion, representing an increase of 31.9%. Cost of sales increased from RMB1.292 billion for the six months ended 30 June 2017 to RMB1.786 billion, representing an increase of 38.2%. Gross profit decreased by RMB92 million from RMB-48 million for the six months ended 30 June 2017 to RMB-140 million, and gross profit margin decreased from -3.9% for the six months ended 30 June 2017 to -8.5%, representing a decrease of 4.6 percentage points.

For the six months ended 30 June 2018, the Group's profit before income tax from Finance Company increased from RMB200 million for the six months ended 30 June 2017 to RMB338 million, representing an increase of RMB138 million or 69.0%.

(3) Selling, general and administrative expenses

For the six months ended 30 June 2018, the Group's selling, general and administrative expenses increased from RMB2.023 billion for the six months ended 30 June 2017 to RMB2.254 billion, representing an increase of 11.4%, which was mainly due to the effects of the increase in wages for sales and management staff resulting from the Group's increase in economic benefits as well as the commencement of production in Mengda Engineering Plastics Project.

(4) Other gains and losses

For the six months ended 30 June 2018, the net other gains and losses of the Group increased from RMB-694 million for the six months ended 30 June 2017 to RMB31 million, representing an increase of RMB725 million. This was mainly attributable to the year-on-year decrease in provision for assets impairment.

(5) Profit from operations

For the six months ended 30 June 2018, the Group's profit from operations increased from RMB5.741 billion for the six months ended 30 June 2017 to RMB7.607 billion, representing an increase of 32.5%. 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 2018**	For the six months ended 30 June 2017 (restated)	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease *(%)*
The Group	**76.07**	57.41	18.66	32.5
Of which: Coal operations	**65.71**	56.83	8.88	15.6
Coal chemical operations	**13.68**	4.86	8.82	181.5
Coal mining equipment operations	**0.80**	0.82	-0.02	-2.4
Financial operations and other operations	**-2.78**	-3.10	0.32	-10.3

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

(6) Finance income and finance costs

For the six months ended 30 June 2018, the Group's net finance costs increased from RMB1.627 billion for the six months ended 30 June 2017 to RMB1.752 billion, representing an increase of 7.7%, of which finance cost was RMB2.076 billion, representing a year-on-year increase of RMB132 million, which was mainly attributable to the relevant finance costs incurred since the commencement of production in Mengda Engineering Plastics Project and the interest expense were recorded as expenses; financial income was RMB324 million, representing a year-on-year increase of RMB7 million, which was mainly because the Group's adoption of refined management and the recovery of entrusted loans.

(7) Share of profits of associates and joint ventures

For the six months ended 30 June 2018, the Group's share of profits of associates and joint ventures increased from RMB401 million for the six months ended 30 June 2017 to RMB914 million, representing an increase of 127.9%. This was mainly attributable to the 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 equity method of accounting of the investees of the Group, including coal mines, coal chemical, railway and port companies.

(8) Profit before income tax

For the six months ended 30 June 2018, the profit before income tax of the Group increased from RMB4.515 billion for the six months ended 30 June 2017 to RMB6.769 billion, representing an increase of 49.9%.

(9) Income tax expenses

For the six months ended 30 June 2018, the Group's income tax expenses increased from RMB1.089 billion for the six months ended 30 June 2017 to RMB1.651 billion, representing an increase of 51.6%.

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

For the six months ended 30 June 2018, the profit attributable to the equity holders of the Company increased from RMB2.229 billion for the six months ended 30 June 2017 to RMB3.431 billion, representing an increase of 53.9%.

III. CASH FLOW

As at 30 June 2018, the balance of the Group's cash and cash equivalents amounted to RMB13.526 billion, representing a net increase of RMB3.396 billion as compared to RMB10.13 billion as at 31 December 2017.

Net cash generated from operating activities increased by RMB2.855 billion from RMB5.401 billion for the six months ended 30 June 2017 to RMB8.256 billion. This was mainly attributable to the significant improvement in operating results of the Group and the further refinement of capital management, which led to the significant year-on-year increase in net cash generated from operating activities.

Net cash generated from investing activities decreased by RMB7.204 billion from RMB570 million for the six months ended 30 June 2017 to RMB-6.634 billion. This was mainly attributable to the year-on-year increase in cash payment of RMB2.911 billion for capital expenditure such as construction of fixed assets, intangible assets and other long-term assets in the reporting period; the year-on-year decrease of RMB2.185 billion in considerations for transfer of assets and the recovery at clearing amounts due from enterprises being disposed of; and the movement of balance of fixed term deposits with initial terms exceeding three months of the Group leading to a year-on-year increase of RMB2.893 billion in cash outflow.

Net cash generated from financing activities increased by RMB3.964 billion from RMB-2.192 billion for the six months ended 30 June 2017 to RMB1.772 billion. This was mainly attributable to the net increase of RMB4.251 billion in debt financing for the reporting period, representing an increase of RMB3.874 billion in net cash inflow as compared to RMB377 million for the same period of last year.

IV. SOURCES OF CAPITAL

For the six months ended 30 June 2018, 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 as 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) Properties, plants and equipment

As at 30 June 2018, the net value of properties, plants and equipment of the Group amounted to RMB130.111 billion, representing a net decrease of RMB306 million or 0.2% as compared to RMB130.417 billion as at 31 December 2017, among which the net value of buildings amounted to RMB30.871 billion, representing a proportion of 23.7%; the net value of mining structures amounted to RMB16.075 billion, representing a proportion of 12.4%; the net value of plants, machinery and equipment amounted to RMB40.807 billion, representing a proportion of 31.4%; the net value of construction in progress amounted to RMB38.727 billion, representing a proportion of 29.8%; and the net value of railway, transportation vehicle and others amounted to RMB3.631 billion, representing a proportion of 2.7%.

(2) Mining rights

As at 30 June 2018, the net value of the Group's mining rights amounted to RMB33.478 billion, representing a net increase of RMB694 million or 2.1% as compared to RMB32.784 billion as at 31 December 2017, which was mainly because the Group integrated some coal mines in the reporting period.

(3) Investments in associates

As at 30 June 2018, the net value of the Group's investments in associates amounted to RMB16.789 billion, representing a net increase of RMB412 million or 2.5% as compared to RMB16.377 billion as at 31 December 2017. This was mainly because the Group recognized the investment income from the associates in proportion in the reporting period.

(4) Equity instruments at fair value through other comprehensive income and available-for-sale financial assets

As at 30 June 2018, the net value of equity instruments at fair value through other comprehensive income of the Group amounted to RMB3.531 billion, and the net value of available-for-sale financial assets was zero. It was because the Group, in accordance with the International Financial Reporting Standards No. 9 – Financial Instruments, adjusted the investment from available-for-sale financial assets to equity instruments at fair value through other comprehensive income.

(5) Trade and notes receivables

As at 30 June 2018, the Group's net value of trade and notes receivables amounted to RMB6.897 billion, representing a net decrease of RMB8.723 billion or 55.8% as compared to RMB15.62 billion as at 31 December 2017. It was mainly because the Group, in accordance with the International Financial Reporting Standards No. 9 – Financial Instruments, has adjusted the notes receivables hold within a business model whose objective is achieved by both collecting contractual cash flows and selling of financial assets to debt instruments at fair value through other comprehensive income.

(6) Contract assets

As at 30 June 2018, the Group's net value of contract assets was RMB422 million. It was because the Group, in accordance with the International Financial Reporting Standards No. 15 – Revenue from Contracts with Customers and the related Amendments, have recognized the right to receive a considerations for products that have been transferred before conditions of receiving payments being fulfilled as contract assets.

(7) Trade and notes payables

As at 30 June 2018, the Group's balance of trade and notes payables amounted to RMB20.507 billion, representing a decrease of RMB2.259 billion or 9.9% as compared to RMB22.766 billion as at 31 December 2017. It was mainly attributable to the decrease of the amount paid for the engineering and engineering materials, the equipment procurement, the port expenses and transportation costs.

(8) Contract liabilities

As at 30 June 2018, the balance of the Group's contract liabilities amounted to RMB1.762 billion. It was because the Group, in accordance with the International Financial Reporting Standards No. 15 – Revenue from Contracts with Customers and the related Amendments, recognized the advance from customers with the obligation to transfer goods to customers as contract liabilities.

(9) Borrowings

As at 30 June 2018, the balance of borrowings of the Group amounted to RMB67.04 billion, representing a net increase of RMB946 million or 1.4% as compared to RMB66.094 billion as at 31 December 2017. It is mainly due to the Group's continuous increase in operating results and net cash generated from operating activities, reasonable control of the scale of liabilities and optimization of the borrowing structure for further enhancing financial stability. Among which, the balance of long-term borrowings (including the borrowings due within one year) was RMB60.463 billion, representing a net increase of RMB1.955 billion as compared to RMB58.508 billion as at 31 December 2017, and the balance of short-term borrowings amounted to RMB6.577 billion, representing a net decrease of RMB1.009 billion as compared to RMB7.586 billion as at 31 December 2017.

(10) Bonds

As at 30 June 2018, the balance of bonds of the Group amounted to RMB33.066 billion, representing a net increase of RMB3.2 billion or 10.7% as compared to RMB29.866 billion as at 31 December 2017, which was mainly due to the issuance of corporate bonds of RMB3.2 billion in the current period.

VI EQUITY HOLDERS' EQUITY

As at 30 June 2018, the equity holders' equity of the Group was RMB108.579 billion, representing an increase of RMB2.448 billion or 2.3% from RMB106.131 billion as at 31 December 2017. In which, the equity attributable to the equity holders of the Company was RMB90.743 billion, representing an increase of RMB1.733 billion or 1.9% from RMB89.010 billion as at 31 December 2017. The items under the equity holders' equity subject to significant change are analyzed below:

(I) Reserve

As at 30 June 2018, the reserve of the Group was RMB45.683 billion, representing an increase of RMB533 million or 1.2% from RMB45.150 billion as at 31 December 2017, which was mainly because the enterprises owned by the Group made provision for special fund according to the relevant rules, and the expenditures charged to such special fund were reduced, resulting in the increase of reserve balance.

(II) Retained earning

As at 30 June 2018, the retained earning of the Group was RMB31.802 billion, representing an increase of RMB1.201 billion or 3.9% from RMB30.601 billion as at 31 December 2017, which was mainly because of the profit attributable to the equity holders of the Company in the reporting period of RMB3.431 billion, the decrease of RMB764 million for special fund adjustment by the enterprises owned by the Group and the enterprises subject to the share participation of the Group, the decrease of RMB724 million for dividend distribution for 2017 and the decrease of RMB873 million for the merger of enterprises under common control (acquisition of SDIC Jincheng Energy Investment Co., Ltd).

VII. SIGNIFICANT CHARGE OF ASSETS

The Group did not have significant charge of assets during the reporting period. As at 30 June 2018, the book value of the Group's charge of assets amounted to RMB5.778 billion, of which the book value of pledged assets was RMB440 million and the book value of mortgaged assets was RMB5.338 billion.

VIII. SIGNIFICANT INVESTMENT

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

IX. MATERIAL ACQUISITIONS AND DISPOSALS

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

X. ISSUANCE OF CORPORATE BONDS

The goal of registration and issuance of corporate bonds by the Group is to replenish the working capital of the Group and adjust the debt structure. As at 30 June 2018, details of corporate bonds issued by the Group are set as follows. During the reporting period, the Group issued corporate bonds of RMB3.2 billion.

Disclosures		Corporate bonds			
		17 China Coal 01	18 China Coal 01	18 China Coal 02	18 China Coal 03
1.	Reason for issue	To meet the needs of production and operation, and further optimize the debt structure.	To meet the needs of production and operation, and further optimize the debt structure.	To meet the needs of production and operation, and further optimize the debt structure.	To meet the needs of production and operation, and further optimize the debt structure.
2.	Type of issue	Public issue	Public issue	Public issue	Public issue
3.	Book value	RMB100	RMB100	RMB100	RMB100
4.	Issue scale	RMB1 billion	RMB1.1 billion	RMB0.4 billion	RMB1.7 billion
5.	Total proceeds raised after deducting the issuance fee	RMB997 million	RMB1.097 billion	RMB399 million	RMB1.695 billion
6.	Issue object	Qualified investor	Qualified investor	Qualified investor	Qualified investor
7.	Use details:				
	(1) Details and descriptions of the proceeds of each issue for different purposes in the fiscal year	All the proceeds net of issuance fees were used to repay the Company's due commercial paper.	All the proceeds net of issuance fees were used to repay the Company and its subsidiaries' due bank loans.	All the proceeds net of issuance fees were used to repay the Company's due bank loans.	All the proceeds net of issuance fees were used to repay the Company and its subsidiaries' due bank loans.
	(2) If the proceeds have not been used, provide the different intended use details and descriptions of the relevant proceeds.	–	–	–	–
	(3) Whether the use or intended use of the proceeds is in accordance with the plan previously disclosed by the issuer	Yes	Yes	Yes	Yes

XI. RISKS OF EXCHANGE RATE

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

XII. 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.

XIII. INDUSTRY RISKS

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

XIV. CONTINGENT LIABILITIES

(1) Bank guarantees

As at 30 June 2018, the Group provided guarantees of RMB21.898 billion in total, of which guarantees of RMB15.693 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	Huajin Coking Coal Company Limited	2,825	28 March 2008	28 March 2008	20 December 2022	Joint and several liability	No	No	–	No	No	Other
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	18,575.5	28 March 2008	28 March 2008	20 December 2023	Joint and several liability	No	No	–	No	No	Other
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	9,981.1	28 March 2008	28 March 2008	20 December 2023	Joint and several liability	No	No	–	No	No	Other
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	3,375	21 November 2012	21 November 2012	20 November 2027	Joint and several liability	No	No	–	No	No	Other
China Coal Energy Company Limited	Company headquarters	Taiyuan Coal Gasification Longquan Energy Development Company Limited	8,160	29 October 2012	29 October 2012	31 January 2021	Joint and several liability	No	No	–	No	No	Other
China Coal Energy Company Limited	Company headquarters	Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited	210,597.87	28 April 2013	28 April 2013	28 April 2025	Joint and several liability	No	No	–	Yes	No	Other

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	Zhongtian Synergetic Energy Company Limited	1,284,388.12	25 May 2016	25 May 2016	As per agreement	Joint and several liability	No	No	–	No	No	Other
Shanghai Datun Energy Resources Company Limited	Controlling subsidiary	Fengpei Railway Company Limited	1,384.75	21 November 2013	21 November 2013	20 April 2024	Joint and several liability	No	No	–	Yes	No	Other
China Coal Shaanxi Yulin Energy & Chemical Company Limited	Wholly-owned subsidiary	Yan'an Hecaogou Coal Company Limited	5,000	28 November 2015	29 November 2015	1 September 2025	Joint and several liability	No	No	–	Yes	No	Other
China Coal Shaanxi Yulin Energy & Chemical Company Limited	Wholly-owned subsidiary	Yan'an Hecaogou Coal Company Limited	24,975	2 February 2018	26 February 2018	2 February 2025	Joint and several liability	No	No	–	Yes	No	Other

Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)	-82,958.34
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)	1,569,262.34
guarantee provided by the Company and subsidiaries to its subsidiaries	
Total guarantee to subsidiaries incurred during the reporting period	-50,513.52
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)	620,506.41
total guarantee of the Company (including those to subsidiaries)	
Total guarantee (A+B)	2,189,768.75
Percentage of total guarantee to net assets of the Company (%)	24.1
Of which:	
Amount of guarantee provided to shareholders, de facto controllers and related parties (C)	–
Amount of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio of over 70% (D)	67,839.60
Excess amount of total guarantee over 50% of net assets (E)	–
Total amount of the above three categories (C+D+E)	67,839.60
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 2018, 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 2018, amid a stable and favorable trend of macro economy, with the deepening of various reforms in China and the continuous effects of the supply-side structural reform, the coal industry maintained smooth operation, with a general supply-demand balance in the coal market and an overall upward trend in profitability of coal enterprises. Sticking to the principle of "seeking progress in stability" and focusing on high-quality development, the Company achieved a steady increase in profitability of the coal business by adopting the market-oriented and profit-centered approach, and sparing no effort to organize coal production and sales. With the focus on management of coal quality and releasing production capacity of open-cast mines. Pingshuo Company strengthened the coordination of open-cast and underground coal mines, which has brought it the optimized product structure and stable coal output. At the same time, Pingshuo Company actively expanded stripping volume and made smooth progress in land acquisition and relocation, which provided solid support for the sustained production in the next few years. Shanghai Energy Company actively overcame the difficulties such as worse geological conditions, harder organisation of production, vigorously pushed forward technical profitability and raised unit output and unit road heading level. As a result, the coal production efficiency was improved steadily and the profitability was increased substantially on a year-on-year basis. China Coal Huajin Company accelerated the release of advanced production capacities, delivered stable and orderly production and operation, and witnessed another record high in comprehensive benefit. During the reporting period, the production volume of commercial coal of the Company reached 36.81 million tonnes, of which the production volume of thermal coal amounted to 32.30 million tonnes, and the production volume of coking coal amounted to 4.51 million tonnes.

Focusing on detection and treatment of potential safety hazards, the Company strengthened safety supervision and inspection and took proper precautions against major risks in order to ensure the safety and stability of the Company. With continuous increase in safety investment and steady improvement on the equipment, zero death was achieved in production safety in the first half of the year and the safety production standardization was enhanced significantly, with 9 coal mines meeting the national first class standard.

The Company vigorously promoted innovative development so as to lower cost and improve efficiency for coal production through scientific innovation. The Company continued to raise unit output and unit road-heading level through wide adoption of new technologies and new equipments for coal mining. During the reporting period, the Company recorded the raw coal production efficiency of 31.09 tonnes/worker-shift, representing an advanced level in the coal industry. Following the green development principle, the Company actively improved measures such as separate underground mining, separate loading and separate transportation of coal, increased coal washing rate, optimized washing and preparation techniques to improve product structure, and steadily improved the commercial coal quality to meet the diverse needs of customers.

From this year, the company grasped the favorable opportunity of market demand growth, optimized the market layout and improved the marketing system. At the same time, the company optimized the customer structure to accurately meet customers' demands. Furthermore, the Company strengthened coordination between coal production and sales and improved coordination efficiency, which led to the continuous expansion of sales volume. During the reporting period, the Company achieved a total sales volume of commercial coal of 74.29 million tonnes, representing a year-on-year increase of 23.2%.

The Company gave scope to the comprehensive advantages on brand, logistics and capital to strengthen transportation capacity, vigorously expanded the channels for purchased coal, and strove to develop collaborative sales to satisfy diversified customer needs. As a result, the scale of purchased coal was expanded remarkably. During the reporting period, the sales volume of the proprietary coal trading was 35.20 million tonnes, representing a year-on-year increase of 70%.

Sales volume of commercial coal (10 thousand tonnes)			**January to June 2018**	January to June 2017 (Restated)	Change *(%)*
(I)	**Domestic sales of self-produced coal**		**3,511**	3,739	-6.1
	By region:	North China	**1,056**	1,014	4.1
		East China	**1,562**	1,972	-20.8
		South China	**441**	371	18.9
		Others	**452**	382	18.3
	By coal type:	Thermal coal	**3,057**	3,246	-5.8
		Coking coal	**454**	493	-7.9
(II)	**Self-produced coal export**		**0**	9	–
(III)	**Proprietary trading**		**3,520**	2,070	70.0
	Of which:	Domestic resale	**3,507**	1,958	79.1
		Import trading	**2**	99	-98.0
		Self-operated exports	**11**	13	-15.4
(IV)	**Agency sales**		**398**	214	86.0
	Of which:	Import agency	**19**	25	-24.0
		Export agency	**132**	147	-10.2
		Domestic agency	**247**	42	488.1
Total			**7,429**	6,032	23.2

II. COAL CHEMICAL OPERATIONS

The Company continued to strengthen refined management of coal chemical production and made new breakthroughs in new and differential products development. In the first half of the year, the Company completed an annual overhaul as planed on urea and other chemical plants' facilities, which laid a solid foundation for subsequent high and stable yields. The production of Yulin Olefin Project hit a new record high with a daily average output exceeding 2,130 tonnes of polyolefin by seriously implementing safety control in high-load state. Tuke Fertiliser Project strived to make technological breakthroughs and succesfully produced poly glutamic acid urea, further enriched the product portfolio. Mengda Engineering Plastics Project was put into formal operation in the second half of last year and has maintained stable operation with high load, and the unit consumption of methanol of the project reached the best level among similar equipments in China.

Fully taking advantage of the centralized sales of coal chemical products, the Company accurately judged the market situation, set appropriate prices accordingly, flexibly adjusted the sales pace, enhanced shipping capacity so as to ensure smooth coordination between coal production and sales, and continuously increased market share. The Company endeavored to reduce the comprehensive logistics cost by optimizing the regional layout and taking initiatives to reach the market front. The Company increased the market share and the brand influence of China Coal by keeping a close eye on changes in domestic and international markets and adjusting sales strategies in time. During the reporting period, the accumulated sales volume of polyolefin amounted to 730,000 tonnes and the sales volume of urea reached 1.036 million tonnes. The Company innovated the by-product sales model, and by such means as online auction, improved the profit-making ability of by-products and thus significantly boosted economic efficiency. In addition, the Company expanded the scale of internal procurement and supply of methanol products by taking full advantages of the coordination locations of affiliated enterprises. The profit-making ability of coal chemical products was further improved by fully utilizing the synergistic effect of industrial chains.

Production and sales volume of coal chemical products (10 thousand tonnes)	**January to June 2018**	January to June 2017	Change (%)
(I) Polyolefin			
1. Polythylene: Production volume	**36.1**	14.9	142.3
Sales volume	**36.2**	13.4	170.1
2. Polypropylene: Production volume	**36.7**	15.4	138.3
Sales volume	**36.8**	14.6	152.1
(II) Urea			
1. Production volume	**84.6**	95.8	-11.7
2. Sales volume	**103.6**	115.8	-10.5
(III) Methanol			
1. Production volume	**24.9**	32.5	-23.4
2. Sales volume	**2.5**	7.5	-66.7

Notes: 1. The polyolefin production and sales volumes of the Company from January to June 2017 do not include those of Mengda Company in trial production.

2. The sales volume of the Company's urea includes 103,300 tonnes of proprietary urea products provided by Lingshi China Coal Chemical Co., Ltd. affiliated to China Coal Group, while no such volume was included during the same period of last year.

3. The methanol sales volume of the Company does not include the internal consumption of the Company.

III. COAL MINING EQUIPMENT OPERATIONS

Seizing the market opportunities of gradual release of advanced production capacity of coal mines and increase in demand of coal mining equipment, the Company optimized the sales strategies and recorded a substantial increase in high quality orders. During the reporting period, the accumulated trading amount of signed contracts increased by 23.6% year on year, of which the non-coal contracts accounted for nearly 20%. The Company proactively promoted transformation and upgrade, and consolidated the traditional main business while working hard to increase the revenues of accessories, services, and non-coal products. The revenue generated from the non-coal business accounted for 25.2%, representing an increase of 2.4 percentage points year on year. The Company further improved intelligent manufacturing level and capacity utilization rate, optimized the production process, and accelerated the progress of delivery in order to fully meet users' demands. During the reporting period, the production value of coal mining equipment was RMB3.36 billion, representing a year-on-year increase of 37.7%; and total production volume of coal mining equipment was 168,000 tonnes, representing a year-on-year increase of 28.6%, of which 7,477 units (sets) were major coal mining equipment, representing a year-on-year increase of 26.7%.

Coal mining equipment	**Production value** *(RMB100 million)*			**Sales revenue** *(RMB100 million)*	
	January to June in 2018	January to June in 2017	Change rate (%)	**January to June in 2018**	Percentage of operating revenue of the coal mining equipment segment (%)
Main conveyor products	**15.8**	12.0	31.7	**15.1**	47.2
Main support products	**10.9**	7.6	43.4	**11.3**	35.3
Others	**6.9**	4.8	43.8	**5.6**	17.5
Total	**33.6**	24.4	37.7	**32.0**	–

Notes: 1. The sales revenue in the table represents the sales revenue of the coal mining equipment segment before netting of inter-segmental sales.

2. The production value (revenue) of the main products includes the production values (revenue) of the related accessories and services. The revenue of others includes part of the trade revenue.

IV. ILLUSTRATION OF THE PROGRESS OF OPERATING PLANS

In the first half of 2018, China's economy maintained a generally stable and favorable trend. With a focus on the annual production and operation goals, the Company seized opportunities to expand market share, continued its reform and innovation to tap potentials, reduced leverage to strengthen cost control, and scientifically arranged and orderly organized production and sales. As a result, the asset operational efficiency and quality have been improved significantly. During the reporting period, the Company achieved remarkable results in all aspects, with the profit attributable to the equity holders of the Company of RMB3.43 billion, the production volume of commercial coal of 36.81 million tonnes, the sales volume of self-produced commercial coal of 35.11 million tonnes, and the operating revenue of RMB50.21 billion. In the second half of the year, the Company will continue to strengthen the orgnization of production and sales, redouble efforts to exploit the market, focus on improving quality and efficiency, and carry out all tasks in a coordinated way. As such, it is estimated that the accumulated net profit recorded from the beginning of the year to the end of the next reporting period may grow obviously as compared to the same period of last year.

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 to the Hong Kong Listing Rules (the "Model Code"). After the Company made specific enquiries, all Directors and Supervisors confirmed that they had fully complied with the Model Code during the reporting period.

AUDIT AND RISK MANAGEMENT COMMITTEE

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 2018 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 2017

The Company's plan of profit distribution for the year of 2017 was considered and approved at the Company's 2017 annual general meeting held on 25 June 2018. Cash dividends of RMB724,327,800 were distributed to the Shareholders, representing 30% of the net profit attributable to the equity holders of the Company which was RMB2,414,426,000 for the year of 2017 as set out in the consolidated financial statements of 2017 prepared in accordance with the Chinese accounting standards for business enterprises. The proposed dividend distribution was based on the Company's entire issued share capital of 13,258,663,400 Shares, representing a dividend of RMB0.055 per share (tax inclusive). As at the date of this report, the aforesaid final dividends were duly paid to the Shareholders.

II. INTERIM PROFIT DISTRIBUTION PLAN FOR 2018

The Company does not distribute any interim profit for 2018 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 2018, 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 transfer of the target assets to the parent company group

On 20 March 2018, the first meeting of the third session of the Board for 2018 considered and approved the Proposal on the Transfer Agreement of "Three Supplies and One Property (i.e. water/power/air supply and property)"Asset in Shanghai Energy Company, Proposal on the Transfer Agreement of "Municipal Community Facility" Asset in Shanghai Energy Company and Proposal on the Transfer Agreement of "Three Supplies and One Property" Asset in Beijing Coal Mining Machinery Company, approving the transfer of "Three Supplies and One Property" and "Municipal Community Facility" Assets in Shanghai Energy Company to Datun Company, and approving the transfer of "Three Supplies and One Property" Asset in China Coal Beijing Coal Mining Machinery Company Limited to Beijing Bangben Property Management Co., Ltd. As of 30 June 2018, Shanghai Energy Company had received a transfer consideration of RMB38.9751 million for the "Municipal Community Facility" Asset paid by Datun Company, and the transfer of the other two assets are being executed in accordance with the agreements.

The transfer of the above three assets may result in a transfer loss of RMB17.4002 million to the Company, which is unaudited and is ultimately subject to the information that will be disclosed by the Company in its annual report.

For details, please refer to the announcement of the Company published on the SSE website, the HKSE website and the Company website on 20 March 2018.

(II) Matters in relation to the acquisition of 100% equity interests of Jincheng Investment Co., Ltd.

On 27 April 2018, the second meeting of the third session of the Board of the Company for 2018 considered and approved the Proposal on the Acquisition by China Coal Huajin Company of 100% Equity Interests in SDIC Jincheng Energy Investment Co.,Ltd. held by China Coal Group, approving China Coal Huajin Company to acquire 100% equity interests of SDIC Jincheng Energy Investment Co., Ltd. held by China Coal Group by agreement. The aforementioned proposal has been approved by the 2017 annual general meeting of the Company. At present, the Consideration thereof has been fully made.

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 2018 and 25 June 2018.

VI. SUBSEQUENT EVENT

(I) Issuance of the corporate bonds

The Company completed the public issuance of the 2018 third tranche corporate bonds on 6 July 2018, of which the issue amount of Series one is RMB2.2 billion with a term of five years (3+2) and an interest rate of 4.69%, and the issue amount of Series two is RMB0.8 billion with a term of seven years (5+2) and an interest rate of 4.89%.

The Company completed the public issuance of the 2018 fourth tranche corporate bonds on 26 July 2018, and the issue amount is RMB0.8 billion with a term of five years (3+2) and an interest rate of 4.40%

(II) Payment of short-term financing bonds due

On 24 July 2018, the Company completed the payment of the 2017 first tranche of short-term financing bonds in the amount of RMB3.0 billion on time.

FORWARD-LOOKING STATEMENT

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

DEFINITIONS

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

Company/China Coal Energy/ the Group/the Company	China Coal Energy Company Limited, unless otherwise indicated, also includes all of its subsidiaries
Board of the Company/Board	the board of directors of China Coal Energy Company Limited
Director(s)	the director(s) of the Company, including all the executive directors, non-executive directors and independent non-executive directors
Supervisor(s)	the supervisor(s) of the Company
China Coal Group	China National Coal Group Corporation, the controlling shareholder of the Company
Shanghai Energy Company	Shanghai Datun Energy Resources Company Limited
Datun Company	Datun Coal and Electricity (Group) Company Limited
Pingshuo Mining Area	the coal mining area in Shanxi Province, mainly comprising the Antaibao Open Pit Mine and Underground Mine, the Anjialing Open Pit Mine and Underground Mine, and Pingshuo East Open Pit Mine
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, Inner Mongolia

Nalin River No. 2 Coal Mine Project	Nalin River No. 2 Coal Mine Project of Wushenqi Mengda Mining Company Limited
Muduchaideng Coal Mine Project	Muduchaideng Coal Mine Project of Ordos Yihua Mining Resources Company Limited
Dahaize Coal Mine Project	Dahaize Coal Mine Project in Yulin, Shaanxi
Xiaohuigou Coal Mine Project	Xiaohuigou Coal Mine Project of Shanxi China Coal PingshuoXiaohuigou Coal Industry Company Limited
Mengda Engineering Plastics Project	Mengda New Energy Engineering Plastics Project
Mengda Company	Inner Mongolia China Coal Mengda New Energy & Chemical Company Limited
Pingshuo Company	China Coal Pingshuo Group Company Limited
China Coal Huajin Company	Shanxi China Coal Huajin Energy Company Limited
Heilongjiang Coal Chemical Group	China Coal Heilongjiang Coal Chemical Engineering (Group) Company Limited
Finance Company	China Coal Finance Co., Ltd.
Shaanxi Company	China Coal Shaanxi Yulin Energy & Chemical Company Limited
Ordos Energy Chemical Company	China Coal Ordos Energy Chemical Company Limited
HKSE	The Stock Exchange of Hong Kong Limited
SSE	the Shanghai Stock Exchange
Shareholder(s)	the shareholder(s) of the Company, including holder(s) of A Shares and holder(s) of H Shares

Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
RMB	RMB yuan

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

Beijing, the PRC, 21 August 2018

As at the date of this announcement, the executive Directors of the Company are Li Yanjiang, Peng Yi and Niu Jianhua; 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 2018 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*