Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

中煤

CHINA COAL ENERGY COMPANY LIMITED*

中國中煤能源股份有限公司

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

(Stock code: 01898)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS:

- In 2018, the Group's revenue amounted to RMB104.140 billion, representing an increase of RMB22.627 billion or 27.8% as compared with 2017.
- In 2018, the profit attributable to the equity holders of the Company amounted to RMB4.488 billion, representing an increase of RMB1.121 billion as compared with 2017.
- In 2018, the basic earnings per share of the Company was RMB0.34, representing an increase of RMB0.09 as compared with 2017.
- In 2018, EBITDA amounted to RMB19.401 billion, representing an increase of RMB3.180 billion or 19.6% as compared with 2017.
- The Board recommended the payment of final dividends of RMB0.078 per share (inclusive of tax) for the year 2018, which is subject to the approval by the Shareholders at the annual general meeting to be held in 2019.

The Board of China Coal Energy Company Limited is pleased to announce the audited annual results of the Group for the year ended 31 December 2018 prepared by the Group in accordance with the International Financial Reporting Standards ("IFRS"):

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	**Year ended 31 December 2018** *RMB'000*	Year ended 31 December 2017 *RMB'000* *(Restated)*
Revenue	*6*	**104,140,066**	81,512,560
Cost of sales			
Materials used and goods traded		**(53,878,707)**	(36,183,846)
Staff costs		**(4,541,755)**	(4,201,953)
Depreciation and amortisation		**(6,939,583)**	(6,216,039)
Repairs and maintenance		**(1,529,732)**	(1,691,900)
Transportation costs and port expenses		**(9,991,572)**	(9,390,416)
Sales taxes and surcharges		**(2,834,494)**	(2,266,853)
Others		**(6,167,158)**	(5,955,236)
Cost of sales		**(85,883,001)**	(65,906,243)
Gross profit		**18,257,065**	15,606,317
Selling expenses		**(679,078)**	(626,700)
General and administrative expenses		**(4,679,783)**	(4,100,447)
Other income		**4,810**	79,537
Other gains and losses		**(915,043)**	(1,410,932)
Impairment losses, net of reversal		**(136,397)**	(251,696)
Profit from operations		**11,851,574**	9,296,079
Finance income	*7*	**702,878**	566,967
Finance costs	*7*	**(4,355,616)**	(3,910,531)
Share of profits of associates and joint ventures		**1,808,651**	1,122,493
Profit before income tax		**10,007,487**	7,075,008
Income tax expense	*8*	**(2,534,776)**	(1,656,129)
Profit for the year		**7,472,711**	5,418,879
Other comprehensive (expense) income:			
Item 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		**(172,595)**	–
Items that may be reclassified subsequently to profit or loss			
Fair value changes on debt instruments at fair value through other comprehensive income, net of tax		**20,989**	–
Fair value changes on available-for-sale financial assets, net of tax		**–**	1,065
Exchange differences arising on translation of foreign operations		**(18,138)**	5,011
Other comprehensive (expense) income for the year, net of tax		**(169,744)**	6,076
Total comprehensive income for the year		**7,302,967**	5,424,955

	Note	Year ended 31 December 2018 *RMB'000*	Year ended 31 December 2017 *RMB'000* (Restated)
Profit for the year attributable to:			
Equity holders of the Company		**4,488,337**	3,367,239
Non-controlling interests		**2,984,374**	2,051,640
		7,472,711	5,418,879
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**4,321,018**	3,373,315
Non-controlling interests		**2,981,949**	2,051,640
		7,302,967	5,424,955
Basic and diluted earnings per share for the profit attributable to equity holders of the Company *(RMB)*	*10*	**0.34**	0.25

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	As at 31 December 2018 RMB'000	2017 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment		**131,907,922**	130,501,423
Investment properties		**83,458**	85,715
Mining rights		**35,552,718**	32,784,227
Intangible assets		**1,689,402**	1,705,868
Land use rights		**5,320,455**	5,019,707
Goodwill		**6,084**	6,084
Investments in associates		**16,860,313**	16,376,591
Investments in joint ventures		**2,966,392**	2,626,321
Equity instruments at fair value through other comprehensive income		**4,563,851**	–
Available-for-sale financial assets		**–**	3,491,691
Deferred income tax assets		**2,838,271**	2,783,767
Long-term receivables		**560,950**	462,139
Other non-current assets		**6,772,189**	6,569,587
		209,122,005	202,413,120
Current assets			
Inventories		**8,252,752**	7,662,087
Trade receivables	*11*	**4,881,389**	6,799,874
Notes receivables	*11*	**–**	9,038,690
Debt instruments at fair value through other comprehensive income	*11*	**9,989,407**	–
Contract assets		**1,014,869**	–
Prepayments and other receivables		**7,445,110**	7,266,042
Restricted bank deposits		**3,351,932**	2,469,442
Term deposits with initial terms of over three months		**12,155,112**	6,174,311
Cash and cash equivalents		**8,353,662**	10,176,683
		55,444,233	49,587,129
TOTAL ASSETS		**264,566,238**	252,000,249
Current liabilities			
Trade and notes payables	*12*	**23,252,942**	22,912,526
Contract liabilities		**2,478,903**	–
Accruals, advances and other payables		**18,072,853**	15,638,172
Taxes payable		**1,156,547**	1,101,196
Short-term bonds		**–**	3,000,000
Short-term borrowings		**6,307,547**	7,596,033
Current portion of long-term borrowings		**11,845,531**	13,872,506
Current portion of long-term bonds		**5,979,779**	–
Current portion of provision for close down, restoration and environmental costs		**13,310**	18,950
		69,107,412	64,139,383

	Note	As at 31 December 2018 RMB'000	2017 RMB'000 (Restated)
Non-current liabilities			
Long-term borrowings		**45,317,056**	44,634,977
Long-term bonds		**27,911,367**	26,866,347
Deferred income tax liabilities		**5,929,183**	5,988,603
Provision		**45,713**	–
Provision for employee benefits		**120,480**	78,718
Provision for close down, restoration and environmental costs		**1,450,265**	1,346,848
Deferred revenue		**1,666,924**	1,698,928
Other long-term liabilities		**2,483,541**	824,011
		84,924,529	81,438,432
Total liabilities		**154,031,941**	145,577,815
Equity			
Share capital		**13,258,663**	13,258,663
Reserves	*13*	**46,303,712**	45,437,624
Retained earnings	*13*	**32,423,108**	30,605,307
Equity attributable to equity holders of the Company		**91,985,483**	89,301,594
Non-controlling interests		**18,548,814**	17,120,840
Total equity		**110,534,297**	106,422,434
TOTAL EQUITY AND LIABILITIES		**264,566,238**	252,000,249

1. GENERAL INFORMATION

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 and 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 consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

2.1 Going Concern

As at 31 December 2018, the Group's current liabilities exceeded its current assets by approximately RMB13,663 million. When the Group needs money to repay the short-term debts or make investment, the Group can finance the fund by following ways:

- Long-term bonds of RMB10,000 million registered with National Association of Financial Market Institutional Investors in August 2017 with expiration period of two years from registration date, 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.

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

3. RESTATEMENTS ARISING FROM BUSINESS COMBINATIONS UNDER COMMON CONTROL

During the year, the Group completed the acquisition from China Coal Group the 100% equity interest in SDIC Jincheng Energy Investment Co., Ltd. ("Jincheng Energy"), which was previously acquired by China Coal Group on 1 January 2017, for a cash consideration of RMB1,712,545,000 on 25 June 2018, the 100% equity interest in China Coal Electrical Ltd. ("China Coal Electrical") for a cash consideration of RMB257,465,000 on 21 August 2018, the 100% equity interest in China Coal Equipment Engineering Consulting Co., Ltd. ("Engineering Consulting") for a cash consideration of RMB8,620,000 on 27 August 2018, the 100% equity interest in Shanxi China Coal Resources Comprehensive Utilisation Co., Ltd.("Shanxi China Coal Resources") for a cash consideration of RMB34,887,000 on 30 August 2018, and the 100% equity interest in China Coal Information Technology Co., Ltd. Beijing ("Information Technology") for a cash consideration of RMB35,000,000 on 31 August 2018. The acquisitions were collectively referred to as "the 2018 Acquisitions".

As the Group, Jincheng Energy, China Coal Electrical, Engineering Consulting, Shanxi China Coal Resources and Information Technology were under common control of China Coal Group before and after the 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 consolidated financial statements of the Group have been prepared as if Jincheng Energy, China Coal Electrical, Engineering Consulting, Shanxi China Coal Resources and Information Technology were subsidiaries of the Group ever since they became under common control of China Coal Group.

Accordingly, the consolidated statement of financial position as at 31 December 2017 have been restated to include the assets and liabilities of Jincheng Energy, China Coal Electrical, Engineering Consulting, Shanxi China Coal Resources and Information Technology at carrying amounts in the books of China Coal Group. The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group have been prepared as if Jincheng Energy, China Coal Electrical, Engineering Consulting, Shanxi China Coal Resources and Information Technology were subsidiaries of the Group throughout the years ended 2017 and 2018 , or since these entities first came under common control, where this is a shorter period.

Respective notes to the consolidated financial statements have also been restated. All significant intragroup transactions, balances, income and expenses are eliminated on combination.

As a result of the 2018 Acquisitions, the relevant line items in the 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) *RMB'000*	**Effect of the 2018 Acquisitions** *RMB'000*	**Eliminations** *RMB'000*	**The Group (restated)** *RMB'000*
Consolidated statement of financial position at 31 December 2017:				
Non-current assets				
Property, plant and equipment	128,330,785	2,170,638	–	130,501,423
Investment properties	82,493	3,222	–	85,715
Mining rights	32,758,671	25,556	–	32,784,227
Intangible assets	1,697,221	8,647	–	1,705,868
Land use rights	4,874,917	144,790	–	5,019,707
Deferred income tax assets	2,783,753	14	–	2,783,767
Other non-current assets	6,554,876	14,711	–	6,569,587
Current assets				
Inventories	7,447,250	214,837	–	7,662,087
Trade receivables	6,516,966	302,443	(19,535)	6,799,874
Notes receivables	8,996,644	99,121	(57,075)	9,038,690
Prepayments and other receivables	7,182,505	88,523	(4,986)	7,266,042
Restricted bank deposits	2,455,643	214,827	(201,028)	2,469,442
Cash and cash equivalents	10,097,653	79,030	–	10,176,683
Current liabilities				
Trade and notes payables	22,492,310	495,235	(75,019)	22,912,526
Accruals, advances and other payables	15,669,335	176,442	(207,605)	15,638,172
Taxes payable	1,098,502	2,694	–	1,101,196
Short-term borrowings	6,956,033	640,000	–	7,596,033
Current portion of long-term borrowings	13,696,106	176,400	–	13,872,506
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	–	–	13,258,663
Reserves	44,573,464	1,425,420	(561,260)	45,437,624
Retained earnings	31,179,158	(1,136,606)	562,755	30,605,307
Non-controlling interests	17,091,234	31,101	(1,495)	17,120,840

As a result of the 2018 Acquisitions, the relevant line items in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended 31 December 2017, have been restated. The following table shows the effect for each individual line item affected:

	The Group (as previously reported) *RMB'000*	Reclassification *RMB'000*	Effect of the 2018 Acquisitions *RMB'000*	Eliminations *RMB'000*	The Group (restated) *RMB'000*
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017:					
Revenue	81,123,232	–	944,414	(555,086)	81,512,560
Cost of sales	(65,389,419)	–	(1,041,185)	524,361	(65,906,243)
Selling expenses	(610,811)	–	(15,921)	32	(626,700)
General and administrative expenses	(4,085,978)	–	(45,162)	30,693	(4,100,447)
Other gains and losses	(1,661,093)	251,696	(1,535)	–	(1,410,932)
Impairment losses, net of reversal	–	(251,696)	–	–	(251,696)
Finance income	566,404	–	563	–	566,967
Finance costs	(3,818,113)	–	(92,418)	–	(3,910,531)
Income tax expense	(1,653,744)	–	(2,385)	–	(1,656,129)
Consolidated statement of cash flows for the year ended 31 December 2017:					
Net cash generated from (used in):					
Operating activities	17,807,406	–	(255,393)	–	17,552,013
Investing activities	(10,013,252)	–	(68,128)	–	(10,081,380)
Financing activities	(7,604,459)	–	359,569	–	(7,244,890)

4. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs for the first time in the current year:

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

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

4.1 IFRS 15 Revenue from Contracts with Customers

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

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.

The Group recognises revenue from the following major sources which arise from contracts with customer's:

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

Summary of effects arising from initial application of IFRS 15

Based on the assessment of initial application of IFRS 15, regarding certain coal trading transactions, the Group is acting as an agent, which was considered as a principal under IAS 18, it will affect the amount of revenue and cost of sales recognised but has no impact on the profit of the Group. The directors of the Company believes that the application of IFRS 15 has no material impact on the retained earnings of the Group at 1 January 2018.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts at 31 December 2017	Reclassification	Carrying amounts under IFRS 15 at 1 January 2018 (without applying IFRS 9)
		RMB'000 (Restated)	*RMB'000*	*RMB'000*
Current liabilities				
Accrual, advances and other payables	*(a)*	15,638,172	(2,353,642)	13,284,530
Contract liabilities	*(a)*	–	2,353,642	2,353,642

Note:

(a) As at 1 January 2018, advances from customers excluding the value added tax amounting to RMB2,353,642,000 previously included in accrual, advances and other payables were reclassified to contract liabilities.

The following tables summarise the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	**Adjustments**	**Amounts without application of IFRS 15**
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Trade receivables	4,881,389	1,014,869	5,896,258
Contract assets	1,014,869	(1,014,869)	–
Current liabilities			
Accrual, advances and other payables	18,072,853	2,478,903	20,551,756
Contract liabilities	2,478,903	(2,478,903)	–

Impact on the consolidated statement of profit or loss and other comprehensive income

	Note	**As reported**	**Adjustments**	**Amounts without application of IFRS 15**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*(a)*	104,140,066	1,973,126	106,113,192
Cost of sales		(85,883,001)	(1,973,126)	(87,856,127)

Note:

(a) Under IAS 18, the Group recognised certain sales of coal transactions on a gross basis, i.e. the Group was considered as a principal, due to its significant exposure to credit risk of customers. Upon application of IFRS 15, the Group is considered as an agent, because the performance obligation under such transaction is to arrange for the provision of coal by another party, and the Group did not obtain the control over the coal before passing it on to customers. This change in accounting policies resulted in a reduction of revenue and cost of sales by RMB1,973,126,000 for the year ended 31 December 2018.

Impact on the consolidated statement of cash flows

	As reported	**Adjustments**	**Amounts without application of IFRS 15**
	RMB'000	*RMB'000*	*RMB'000*
Operating cash flows before movements in working capital			
Increase in trade and note receivables	(131,031)	(1,017,975)	(1,149,006)
Increase in contract assets	(1,017,975)	1,017,975	–
Decrease in accruals, advances and other payables	4,022,997	125,261	4,148,258
Decrease in contract liabilities	125,261	(125,261)	–

4.2 IFRS 9 Financial Instruments and the related amendments

In the current year, 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*.

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Notes	**Available-for-sale financial assets**	**Equity instruments at FVTOCI**	**Debt instruments at FVTOCI**	**Notes receivables**	**Deferred income tax assets**	**Deferred income tax liabilities**	**Reserves**	**Retained earnings**	**Non-controlling interests**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Closing balance at 31 December 2017 (Restated) – IAS 39		3,491,691	–	–	9,038,690	2,783,767	5,988,603	45,437,624	30,605,307	17,120,840
Effect arising from initial application of IFRS 9										
Reclassification										
From available-for-sale	*(a)*	(3,491,691)	3,491,691	–	–	–	–	–	–	–
From loans and receivables	*(b)*	–	–	9,038,690	(9,038,690)	–	–	–	–	–
Remeasurement										
From cost less impairment to fair value	*(a)*	–	249,008	–	–	–	64,505	53,244	131,259	–
From amortised cost to fair value	*(b)*	–	–	(130,265)	–	28,373	–	(79,341)	–	(22,551)
Opening balance at 1 January 2018		–	3,740,699	8,908,425	–	2,812,140	6,053,108	45,411,527	30,736,566	17,098,289

Notes:

(a) Available-for-sale ("AFS") financial assets

From AFS equity investments to fair value though other comprehensive income ("FVTOCI")

The Group elected to present in other comprehensive income ("OCI") for the fair value changes of all its equity investments previously classified as available-for-sale. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, RMB3,491,691,000 were reclassified from available-for-sale financial assets to equity instruments at FVTOCI, of which RMB3,458,605,000 related to unquoted equity investments previously measured at cost less impairment under IAS 39. The fair value gains of RMB249,008,000 relating to those unquoted equity investments were adjusted to other reserves as at 1 January 2018, and deferred income tax liabilities of RMB64,505,000 were recognised against other reserves at 1 January 2018. In addition, impairment losses netting of deferred income tax assets previously recognised of RMB131,259,000 in relation to those unquoted equity investments were transferred from retained earnings to other reserves as at 1 January 2018. The previously accumulated net fair value gains of RMB16,457,000 relating to those investments previously carried at fair value continued to accumulate in other reserves.

(b) Loans and receivables

As part of the Group's cash flow management, the Group has the practice of discounting or endorsing some of the notes receivables to financial institutions/suppliers before the bills are due for payment and derecognises notes discounted or endorsed on the basis that the Group has transferred substantially all the risks and rewards of ownership relating to these notes receivables to the relevant counterparties. Accordingly, the Group's notes receivables of RMB9,038,690,000 as at 1 January 2018 were considered to be held within a business model whose objective is achieved by both collecting contractual cash flows and selling of those assets and the contractual cash flows of these financial assets are solely payments of principal and interest on the principal amount outstanding and were reclassified to debt instruments at FVTOCI. The related fair value losses of RMB130,265,000 was adjusted to other reserves as at 1 January 2018, and deferred income tax assets of RMB28,373,000 were recognised as at 1 January 2018. The net impact of reduction of RMB101,892,000 was attributable to equity holders of the Company and non-controlling interests of RMB79,341,000 and RMB22,551,000 respectively.

(c) Impairment under ECL model

As at 1 January 2018, no material additional credit loss allowance has been recognised.

4.3 Impacts on opening 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 consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited) (Restated) *RMB'000*	IFRS15 *RMB'000*	IFRS9 *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	2,783,767	–	28,373	2,812,140
Current Assets				
Notes receivables	9,038,690	–	(9,038,690)	–
Debt instruments at FVTOCI	–	–	8,908,425	8,908,425
Non-current Liabilities				
Deferred income tax liabilities	5,988,603	–	64,505	6,053,108
Current Liabilities				
Accruals, advances and other payables	15,638,172	(2,353,642)	–	13,284,530
Contract liabilities	–	2,353,642	–	2,353,642
Equity				
Reserves	45,437,624	–	(26,097)	45,411,527
Retained earnings	30,605,307	–	131,259	30,736,566
Non-controlling interests	17,120,840	–	(22,551)	17,098,289

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs and interpretation that have been issued but are not yet effective:

IFRS

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs and interpretation will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments for land use rights as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be both presented as financing cash flows by the Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB723,130,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB13,659,000 and refundable rental deposits received of RMB10,722,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Upon application of IFRS 16, the Group will apply the requirements of IFRS 15 to assess whether sales and leaseback transaction constitutes a sale. For a transfer that does not satisfy the requirements as a sale, the Group will account for the transfer proceeds as financial liabilities within the scope of IFRS 9. In accordance with the transition provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application will not be reassessed but the new requirements may impact the Group's future sale and leaseback transactions.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

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

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

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

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

For the year ended and as at 31 December 2018

	Coal *RMB'000*	Coal-chemical products *RMB'000*	Mining machinery *RMB'000*	Finance *RMB'000*	Others *RMB'000*	Total segment *RMB'000*	Unallocated *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Segment results									
Revenue									
Total revenue	80,911,705	18,006,213	7,051,536	–	3,850,572	109,820,026	–	(5,679,960)	104,140,066
Inter-segment revenue	(3,817,457)	(140,112)	(866,623)	–	(855,768)	(5,679,960)	–	5,679,960	–
Revenue from external customers	77,094,248	17,866,101	6,184,913	–	2,994,804	104,140,066	–	–	104,140,066
Profit/(loss) from operations	10,903,826	2,024,326	211,691	(23,244)	(900,878)	12,215,721	(379,911)	15,764	11,851,574
Profit/(loss) before income tax	10,049,461	1,937,179	105,247	710,847	(967,005)	11,835,729	(1,844,007)	15,765	10,007,487
Interest income	53,788	30,663	4,651	935,540	7,087	1,031,729	1,506,247	(1,835,098)	702,878
Interest expense	(1,402,349)	(1,340,035)	(109,463)	(199,626)	(71,988)	(3,123,461)	(3,067,014)	1,831,154	(4,359,321)
Depreciation and amortisation	(4,341,801)	(2,352,824)	(367,250)	(1,252)	(470,503)	(7,533,630)	(16,279)	–	(7,549,909)
Share of profit/(loss) of associates and joint ventures	476,105	1,221,942	(4,858)	–	–	1,693,189	115,462	–	1,808,651
Income tax (expense)/credit	(2,189,483)	(299,559)	(10,728)	(164,789)	136,990	(2,527,569)	(94)	(7,113)	(2,534,776)
Other material non-cash items									
Provision for impairment of property, plant and equipment	(476,595)	(377,924)	(8,956)	–	–	(863,475)	–	–	(863,475)
Provision for impairment of other assets	(313,376)	(50,464)	11,530	(61,391)	(10,244)	(423,945)	–	44,691	(379,254)
Segment assets and liabilities									
Total assets	145,890,355	60,726,406	17,220,229	15,632,596	14,618,717	254,088,303	25,512,160	(15,034,225)	264,566,238
Include: investment in associates and joint ventures	4,343,437	10,893,841	902,483	–	(5,267)	16,134,494	3,692,211	–	19,826,705
Addition to non-current assets	11,261,351	859,377	769,342	4	1,095,116	13,985,190	32,702	–	14,017,892
Total liabilities	48,868,636	22,534,456	7,357,100	9,125,889	6,342,280	94,228,361	70,569,580	(10,766,000)	154,031,941

	For the year ended and as at 31 December 2017(Restated)								
	Coal *RMB'000*	Coal-chemical products *RMB'000*	Mining machinery *RMB'000*	Finance *RMB'000*	Others *RMB'000*	Total segment *RMB'000*	Unallocated *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Segment results									
Revenue									
Total revenue	64,383,662	12,743,981	5,751,590	–	3,375,344	86,254,577	–	(4,742,017)	81,512,560
Inter-segment revenue	(3,275,939)	(10,008)	(472,340)	–	(983,730)	(4,742,017)	–	4,742,017	–
Revenue from external customers	61,107,723	12,733,973	5,279,250	–	2,391,614	81,512,560	–	–	81,512,560
Profit/(loss) from operations	8,648,246	1,021,369	85,233	(43,839)	(258,315)	9,452,694	(225,594)	68,979	9,296,079
Profit/(loss) before income tax	7,901,506	588,213	(52,031)	493,381	(343,817)	8,587,252	(1,583,561)	71,317	7,075,008
Interest income	54,067	79,898	2,469	678,932	5,819	821,185	1,314,027	(1,568,245)	566,967
Interest expense	(1,264,382)	(1,029,339)	(96,956)	(141,412)	(90,329)	(2,622,418)	(2,804,475)	1,555,985	(3,870,908)
Depreciation and amortisation	(4,293,105)	(1,913,063)	(379,339)	(1,297)	(307,199)	(6,894,003)	(31,371)	–	(6,925,374)
Share of profit/(loss) of associates and joint ventures	492,421	537,902	(45,426)	–	–	984,897	137,596	–	1,122,493
Income tax (expense)/credit	(1,895,232)	(77,356)	(10,935)	(123,366)	(47,881)	(2,154,770)	516,905	(18,264)	(1,656,129)
Other material non-cash items									
Provision for impairment of property, plant and equipment	(77,132)	(722,804)	(1,479)	–	–	(801,415)	–	–	(801,415)
Provision for impairment of other assets	(1,029,675)	(18,315)	(92,523)	(29,442)	(2,857)	(1,172,812)	–	7,613	(1,165,199)
Segment assets and liabilities									
Total assets	135,065,837	62,458,182	18,259,046	8,549,747	17,076,302	241,409,114	20,357,495	(9,766,360)	252,000,249
Include: investment in associates and joint ventures	4,310,643	10,252,856	869,326	–	14,500	15,447,325	3,555,587	–	19,002,912
Addition to non-current assets	10,642,649	335,103	220,248	(201,189)	918,935	11,915,746	8,361	–	11,924,107
Total liabilities	42,877,541	25,895,483	6,826,270	5,522,127	8,308,257	89,429,678	64,107,391	(7,959,254)	145,577,815

5.3 Geographical information

Information about the Group's revenue from external customers is presented based on the geographical location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

Analysis of revenue

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Domestic markets	**103,677,922**	81,095,542
Overseas markets	**462,144**	417,018
	104,140,066	81,512,560

Analysis of non-current assets

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Domestic	**200,995,767**	195,383,476
Overseas	**364**	438
	200,996,131	195,383,914

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 both 2018 and 2017.

6. REVENUE

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Goods and services	**103,918,464**	81,314,957
Rental income	**221,602**	197,603
	104,140,066	81,512,560

For the year ended 31 December 2018

Disaggregation of revenue from contracts with customers:

	For the year ended 31 December 2018				
	Coal *RMB'000*	**Coal-chemical products** *RMB'000*	**Mining machinery** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Sales of goods					
Sales of coal	**76,695,850**	**–**	**–**	**–**	**76,695,850**
Sales of coal-chemical products	**–**	**17,668,177**	**–**	**–**	**17,668,177**
Sales of mining machinery	**–**	**–**	**5,269,179**	**–**	**5,269,179**
Sales of electric power	**–**	**–**	**–**	**1,352,570**	**1,352,570**
Sales of aluminum product	**–**	**–**	**–**	**708,410**	**708,410**
Others	**64,021**	**167,355**	**760,150**	**159,996**	**1,151,522**
	76,759,871	**17,835,532**	**6,029,329**	**2,220,976**	**102,845,708**
Revenue from services					
Agent service	**38,677**	**–**	**14,003**	**501,173**	**553,853**
Railway service	**–**	**–**	**–**	**159,524**	**159,524**
Others	**116,895**	**30,545**	**109,846**	**102,093**	**359,379**
	155,572	**30,545**	**123,849**	**762,790**	**1,072,756**
Geographical markets					
Domestic Market	**76,521,428**	**17,866,077**	**6,105,756**	**2,963,059**	**103,456,320**
Overseas Market	**394,015**	**–**	**47,422**	**20,707**	**462,144**
	76,915,443	**17,866,077**	**6,153,178**	**2,983,766**	**103,918,464**

7. FINANCE INCOME AND COSTS

	2018 *RMB'000*	2017 *RMB'000* (Restated)
Finance income:		
– Interest income on bank deposits	**544,991**	415,900
– Interest income on loans receivable	**157,887**	151,067
Total finance income	**702,878**	566,967
Interest expenses:		
– Bank borrowings	**3,671,544**	3,678,963
– Long-term and short-term bonds	**1,638,978**	1,429,232
– Unwinding of discount	**78,227**	74,095
Other incidental bank charges	**10,440**	25,277
Net foreign exchange (gains)/losses	**(14,145)**	14,346
Finance costs	**5,385,044**	5,221,913
Less: amounts capitalised on qualifying assets	**(1,029,428)**	(1,311,382)
Total finance expenses	**4,355,616**	3,910,531
Finance costs, net	**3,652,738**	3,343,564

Note:

Capitalisation rates of finance costs capitalised on qualifying assets were as follows:

	2018	2017
Capitalisation rate used to determine the amount of finance costs eligible for capitalisation	**3.28%-5.65%**	3.80%-5.16%

8. INCOME TAX EXPENSE

	2018 *RMB'000*	2017 *RMB'000* (Restated)
Current income tax		
– PRC enterprise income tax *(note (a))*	**2,677,725**	2,228,606
Deferred income tax	**(142,949)**	(572,477)
	2,534,776	1,656,129

Notes:

(a) The provision for the PRC enterprise income tax ("EIT") is calculated based on the statutory income tax rate of 25%. The applicable income tax rate in 2018 and 2017 is 25% on 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.

(b) The taxation of the Group's profit before taxation differs from the theoretical amount that would arise using the rates prevailing in the jurisdictions in which the Group operates as follows:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Profit before income tax	**10,007,487**	7,075,008
Tax calculated at statutory income tax rate of 25% (2017: 25%) in the PRC	**2,501,872**	1,768,752
Effect of preferential tax rates on the income of certain subsidiaries	**(283,122)**	(156,479)
Adjust income tax of the previous period	**24,519**	(30,658)
Income not subject to taxation	**(403,945)**	(274,673)
Expenses not deductible for taxation purposes	**4,209**	183,238
Utilization of previously unrecognized tax losses	**(6,313)**	(20,220)
Recognition of previously unrecognized tax losses	**–**	(26,238)
Tax losses for which no deferred income tax asset has been recognized	**629,064**	132,102
Deductible temporary differences for which no deferred income tax asset has been recognized	**144,715**	241,887
Recognition of previously unrecognized deductible temporary differences	**(30,822)**	(51,639)
Additional expenses allowable for tax deduction	**(45,401)**	(109,943)
Income tax expense	**2,534,776**	1,656,129

The effective tax rate was 25% for the year ended 31 December 2018 (2017: 23%).

9. DIVIDENDS

For the year ended 31 December 2018, a total dividend of approximately RMB1,030,373,000, has been proposed by the directors of the Company and is subject to approval by the shareholders at the 2018 annual general meeting. These consolidated financial statements do not reflect this dividend payable.

	2018	2017
	RMB'000	*RMB'000*
Proposed final dividend	**1,030,373**	724,328

During the year ended 31 December 2018, dividends for ordinary shareholders of the Company recognised as distribution is RMB729,375,000 (2017: RMB516,851,000).

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the number of 13,258,663,000 ordinary shares in issue during the year.

	2018	2017
		(Restated)
Profit attributable to equity holders of the Company (RMB'000)	**4,488,337**	3,367,239
Number of ordinary shares in issue (in thousands)	**13,258,663**	13,258,663
Basic earnings per share (RMB per share)	**0.34**	0.25

As the Company had no potential ordinary shares in issue for the years ended 31 December 2018 and 2017, diluted earnings per share are presented equals to basic earnings per share.

11. TRADE AND NOTES RECEIVABLES/DEBT INSTRUMENTS AT FVTOCI

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000* (Restated)
Trade receivables, net *(note (a))*	**4,881,389**	6,799,874
Notes receivables *(note (b))*	**9,989,407**	9,038,690
	14,870,796	15,838,564

Notes:

Analysed for reporting purposes as:		
Trade receivables	**4,881,389**	6,799,874
Notes receivables (classified as loans and receivables under IAS 39)	**–**	9,038,690
Debt instruments at FVTOCI (under IFRS 9)	**9,989,407**	–

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

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000* (Restated)
Within 6 months	**3,286,553**	4,460,713
6 months – 1 year	**614,024**	991,025
1 – 2 years	**431,317**	647,067
2 – 3 years	**364,146**	532,138
Over 3 years	**754,721**	672,171
Trade receivables, gross	**5,450,761**	7,303,114
Less: Allowance for credit losses	**(569,372)**	(503,240)
Trade receivables, net	**4,881,389**	6,799,874

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 acceptance notes with maturity of less than one year (2017: less than one year).

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

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000* (Restated)
RMB	**4,881,013**	6,757,844
US Dollar ("USD")	**376**	42,030
	4,881,389	6,799,874

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

(e) As at 31 December 2018, notes receivables with amount of RMB272,596,000 (2017: RMB236,983,000) are pledged to banks for notes payables amounting to RMB264,810,000 (2017: RMB228,502,000).

As at 31 December 2018, notes receivables with amount of RMB996,000 (2017: RMB100,885,000) are pledged to banks for borrowings amounting to RMB1,000,000 (2017: RMB100,885,000).

As at 31 December 2018, trade receivables with amount of RMB200,000,000 (2017: RMB200,000,000) are pledged to banks for borrowings amounting to RMB90,000,000 (2017: RMB135,000,000).

(f) Transfers of financial assets

As at 31 December 2018, bank and commercial acceptance notes of RMB17,572,000 (2017: RMB100,885,000) and RMB1,335,416,000 (2017: 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 31 December 2018, the Group endorsed and discounted bank acceptance notes amounting to RMB3,401,174,000 (2017: RMB4,499,931,000) to suppliers and banks. In accordance to 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.

12. TRADE AND NOTES PAYABLES

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000* (Restated)
Trade payables *(note (a))*	**19,076,768**	19,968,934
Notes payable	**4,176,174**	2,943,592
	23,252,942	22,912,526

Notes:

(a) Aging analysis of trade payables on each balance sheet date based on date of delivery of goods and service received is as follows:

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000* (Restated)
Less than 1 year	**14,802,621**	15,065,416
1 – 2 years	**1,306,847**	1,730,670
2 – 3 years	**542,733**	1,923,642
Over 3 years	**2,424,567**	1,249,206
	19,076,768	19,968,934

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

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000* (Restated)
RMB	**23,249,317**	22,911,350
USD	**3,624**	1,171
Others	**1**	5
	23,252,942	22,912,526

(c) The carrying amounts of trade and notes payables approximate their fair values.

(d) As at 31 December 2018, term deposits amounted to RMB504,797,000 (2017: RMB675,546,000) are pledged to banks for issuance of bank acceptance notes amounted to RMB935,182,000(2017: RMB1,272,024,000).

As at 31 December 2018, notes receivables with amount of RMB272,596,000 (2017: RMB236,983,000) are pledged to banks for notes payables amounted to RMB264,810,000 (2017: RMB228,502,000).

13. RESERVES AND RETAINED EARNINGS

	Capital reserve	Statutory reserve funds	General Reserve	Future development fund	Safety fund	Other funds related to coal mining	Translation reserve	Other reserves	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(note a)		*(note b)*	*(note c)*	*(note d)*				
Balance at 1 January 2017, as original stated	31,065,260	4,030,608	253,419	173,335	335,869	672,148	(57,666)	6,872,427	29,470,217	72,815,617
Effect of business combination under common control *(Note 3)*	287,141	–	–	–	–	–	–	–	(8,490)	278,651
Balance at 1 January 2017 (Restated)	31,352,401	4,030,608	253,419	173,335	335,869	672,148	(57,666)	6,872,427	29,461,727	73,094,268
Profit for the year (restated)	–	–	–	–	–	–	–	–	3,367,239	3,367,239
Other comprehensive income	–	–	–	–	–	–	5,011	1,065	–	6,076
Appropriations	–	67,282	–	1,205,847	525,751	(572,824)	–	–	(1,226,056)	–
Share of other change of reserve of associates and joint ventures	–	–	–	–	–	–	–	44,610	(44,610)	–
Dividends	–	–	–	–	–	–	–	–	(516,851)	(516,851)
Acquisition of subsidiaries under common control in 2018 *(Note 3)*	577,019	–	–	–	–	–	–	–	(442,710)	134,309
Loss of control over subsidiaries	(8,743)	–	–	(607)	–	–	–	–	9,350	–
Acquisition of subsidiaries under common control in 2017 *(Note (e))*	–	–	–	–	–	–	–	(39,328)	–	(39,328)
Others	–	–	–	–	–	–	–	–	(2,782)	(2,782)
Balance at 31 December 2017 (Restated)	31,920,677	4,097,890	253,419	1,378,575	861,620	99,324	(52,655)	6,878,774	30,605,307	76,042,931
Adjustments *(Note 4)*	–	–	–	–	–	–	–	(26,097)	131,259	105,162
Balance at 1 January 2018 (Restated)	31,920,677	4,097,890	253,419	1,378,575	861,620	99,324	(52,655)	6,852,677	30,736,566	76,148,093
Profit for the year	–	–	–	–	–	–	–	–	4,488,337	4,488,337
Other comprehensive expense	–	–	–	–	–	–	(18,138)	(149,181)	–	(167,319)
Appropriations	–	121,973	32,805	409,337	844,635	(5,181)	–	–	(1,403,569)	–
Share of other change of reserve of associates and joint ventures	–	–	–	–	–	–	–	(4,844)	4,844	–
Acquisition of subsidiaries under common control in 2018 *(Note 3)*	(285,210)	–	–	–	–	–	–	–	(585,555)	(870,765)
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	(88,140)	(88,140)
Dividends	–	–	–	–	–	–	–	–	(729,375)	(729,375)
Contributions	16,523	–	–	–	–	–	–	–	–	16,523
Others	1,129	–	–	–	–	–	–	(71,663)	–	(70,534)
Balance at 31 December 2018	**31,653,119**	**4,219,863**	**286,224**	**1,787,912**	**1,706,255**	**94,143**	**(70,793)**	**6,626,989**	**32,423,108**	**78,726,820**

Notes:

(a) Statutory reserve funds

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to set aside 10% of its profit after tax as determined in accordance with the relevant accounting principles and financial regulations applicable to the PRC companies ("PRC GAAP") and regulations applicable to the Company, to the statutory reserve funds until such reserve reaches 50% of the registered capital of the Company. The appropriation to the reserve must be made before any distribution of dividends to equity holders before reaching 50% threshold mentioned above. The statutory surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

(b) Future development fund

Pursuant to the relevant PRC regulations, the Group is required to set aside an amount to a future development fund at RMB6 to RMB8 (2017: RMB6 to RMB8) per ton of raw coal mined. The fund can be used for future development of the coal mining operations, and is not available for distribution to shareholders. Upon incurring qualifying development expenditures, an equivalent amount should be transferred from future development fund to retained earnings.

(c) Safety fund

Pursuant to certain regulations issued by the Ministry of Finance (財政部) and the State Administration of Work Safety (安全監管總局) of the PRC, the subsidiaries of the Company which are engaged in coal mining are required to set aside an amount to a safety fund at RMB10 to RMB30 per ton of raw coal mined. The subsidiaries of the Company which are engaged in coal-chemical, machinery manufacturing, metallurgy and other relevant business are required to set aside an amount of certain percentage of revenue to a safety fund. The safety fund can be used for safety facilities and environment improvement, and is not available for distribution to shareholders. Upon incurring qualifying safety expenditure, an equivalent amount should be transferred from safety fund to retained earnings.

(d) Other funds relevant to coal mining

(i) Transformation and environmental restoration fund

Pursuant to two regulations issued by the Shanxi provincial government on 15 November 2007, both of which were effective from 1 October 2007, mining companies of the Group located in Shanxi Province are required to set aside an amount to a coal mine industry transformation fund and environmental restoration fund at RMB5 and RMB10 per ton of raw coal mined respectively. According to the relevant rules, such funds will be specifically utilised for the transformation costs of the coal mine industry and for the land restoration and environmental cost, and is not available for distribution to shareholders. Upon incurring qualifying transformation and environmental restoration expenditures, an equivalent amount should be transferred from transformation and environmental restoration fund to retained earnings.

Pursuant to a regulation issued by the Shanxi provincial government, transformation and environmental restoration fund was no longer required to be set aside since August 1, 2013.

(ii) Sustainable development fund

Pursuant to a regulation issued by Jiangsu Province Xuzhou municipal government on 20 October 2010, the Company's subsidiary in Xuzhou is required to set aside an amount to a sustainable development fund at RMB10 per ton of raw coal mined. The fund will be used for the transformation costs of the mine, land restoration and environmental cost, and is not available for distribution to shareholders. Upon incurring qualifying expenditures, an equivalent amount should be transferred from sustainable development fund to retained earnings. The sustainable development fund was no longer required to be set aside since 1 January 2014 according to related requirement of the local government.

(e) Restatements arising from acquisition of subsidiaries under common control

On 22 August in 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".

As the Group, China Japan Coal Co., Ltd., Japan office and Seoul office were under common control of China Coal Group before and after the 2017 Acquisitions, the acquisitions are considered as a combination of businesses under common control. The principle of merger accounting for business combination involving entities under common control has therefore been applied.

The consideration paid and payable by the Group for the 2017 Acquisitions has been accounted for as an equity transaction in the consolidated statement of changes in equity.

14. CONTINGENT LIABILITIES

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

15. FINANCIAL GUARANTEE CONTRACTS

The Group has guaranteed the bank loans of a number of related parties and third parties for no compensation. Under the terms of the financial guarantee contracts, the Group will make payments to reimburse the lenders upon failure of the guaranteed entities to make payments when due.

Terms and face value of the liabilities guaranteed and maximum exposure to credit risk were as follows:

	Year of maturity	**31 December 2018 Face value** *RMB'000*	31 December 2017 Face value *RMB'000*
Bank loans of:			
– Related parties	2027	**14,239,089**	15,989,941
– Third parties	2045	**508,866**	532,266
Total		**14,747,955**	16,522,207

16. COMMITMENTS

(a) Capital commitments

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

	2018 *RMB'000*	2017 *RMB'000*
Property, plant and equipment	**3,870,828**	3,260,513
Land use rights	**235,000**	952,472
	4,105,828	4,212,985

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

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

	2018	2017
	RMB'000	*RMB'000*
Land and buildings:		
– Within 1 year	**87,481**	54,013
– From 1 year to 5 years	**237,691**	203,366
– Over 5 years	**397,958**	449,406
	723,130	706,785

(c) Investment commitments

According to the agreement entered into on 29 June 2011 among the Company, Yima Coal Industry Group Company Limited and Shanxi Haizi Jiaohua Company Limited ("Haizi Jiaohua"), by 31 December 2018, the Company has paid RMB168 million to Haizi Jiaohua as part of the consideration to acquire 51% interests of exploration or mining rights and related interests in coal reserve in Shanxi Puxian China Coal Jinchang Mining Company Limited and committed to pay the remaining consideration of RMB311 million in the future when certain conditions are fulfilled.

According to the agreement entered into on 29 June 2011 between the Company and Haizi Jiaohua, by 31 December 2018, the Company has paid RMB259 million to Haizi Jiaohua as part of the consideration to acquire 63% interests of exploration or mining rights and related interests in coal reserve in Shanxi Puxian China Coal Yushuo Mining Company Limited and committed to pay the remaining consideration of RMB481 million in the future when certain conditions are fulfilled.

According to the agreement entered into on 15 July 2006, Zhongtian Synergetic was established by the Company, China Petroleum & Chemical Corporation and other three companies. As a 38.75% shareholder, by 31 December 2018 the Company has invested RMB6,787 million in Zhongtian Synergetic and is committed to further invest RMB481 million by instalments in the future.

According to the agreement entered into on 28 May 2008, Mengji Railway Company Limited ("Mengji Railway") was established by the Company, Hohhot Railway Bureau and other seven companies. As a 5% shareholder, by 31 December 2018 the Company has invested RMB1,477 million in Mengji Railway and is committed to further invest RMB23 million by instalments in the future.

According to the agreement entered into in October 2014, Shanxi Jingshen Railway Company Limited ("Jingshen Railway") was established by the subsidiary of the Company, China Coal Shaanxi Yulin Energy & Chemical Company Limited ("Shaanxi Yulin"), Shaanxi Coal and Chemical Industry Group Co.,Ltd., Shaanxi Yulin Coal Distribution Co.,Ltd. and other six companies. As a 4% shareholder, by 31 December 2018 Shaanxi Yulin has invested RMB140 million in Jingshen Railway and is committed to further invest RMB108 million in the future.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I would like to express my sincere appreciation to our Shareholders and people from all walks of life for their care and support to the Company over the past year, and to present the 2018 annual results to all Shareholders.

The year 2018 marks the 40th anniversary of China's reform and opening-up. It is the reform and opening-up that has given life and prosperity to China Coal Group and has made the Group develop from a trading company primarily engaged in coal import and export to the second largest coal production enterprise in China. The development history of China Coal Group is a vivid microcosm of the coal industry's reform and opening-up as China Coal Group has taken the first step to open up China's coal industry to the outside world by developing and constructing the Antaibao Open Pit Mine, the first ever sino-foreign cooperative project, making significant contribution to promote the upgrade of the coal industry. China Coal Group is also a beneficiary of reform and opening-up. In 2006, China Coal Group initiated the establishment of China Coal Energy which was listed in Hong Kong in December 2006 and returned to the A Share market in February 2008. Since listing, China Coal Energy has been dedicating to taking its responsibilities, bringing together talents and strengths, striving for making progress and achieving leapfrog development. The Company has experienced rapid expansion of operating scale. With the continued optimization of industrial structure and the development of "a clean energy supplier and an integrated energy service provider", the Company's coordinated development of coal, electricity and coal chemical business has delivered high effectiveness, recording reserves in coal resources amounting to 23.6 billion tonnes and growth in coal trading volume by 69.6%, while the new coal chemical operations have become the second largest growth engine of the Company, and its installed power generation capacity doubled. The overall competitiveness of the Company has enhanced significantly and the profitability of its principal business witnessed impressive growth, recording an increase in profit before income tax by 111.8%.The asset quality of the Company has greatly improved with the net cash generated from operating activities exceeding RMB20 billion. The capital return has gradually increased with an aggregated dividend of RMB17.3 billion distributed since the inception of the Company.

2018 was the year of kicking off the efforts to put all the guiding principles from the Party's 19th National Congress into action. For China Coal Energy, it is a year of seeking growth in stability, and a year of solid improvement and bumper harvest. During the year, the Company further implemented supply-side structural reform under the guidelines of the *Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era*. Seizing favorable market opportunities, the Company took the initiative to leverage the trend and strive hard with concerted efforts and commitment, leading to significant increase in operating results and continuous improvement in operating quality. The Company has also made breakthroughs in key activities and achieved remarkable success in reform and innovation, opening up a new dimension for improving operation and development on an ongoing basis. During the reporting period, the Company realised a record high operating revenue of RMB104.1 billion, representing a year-on-year increase of 27.8%. Profit before income tax amounted to an all-time high of RMB10.01 billion in recent years, representing a year-on-year increase of 41.4%.

During the year, the Company focused on principal business and continued to optimise industrial structure, further consolidating the foundation of high-quality development. Riding on favorable state policies, the Company actively pushed forward the work of production capacity replacement and accelerated the process of project formalities. As a result, Dahaize Coal Mine has been granted and approved; Muduchaideng Coal Mine and Nalin River No.2 Coal Mine have been put into operation; Xiaohuigou Coal Mine will soon be put into production; Technological Transformation Project of Annual Methanol Output of 1 Million Tonnes from Synthetic Gas has commenced construction; Unit#1 of the 2×350MW thermal power project of Shanghai Energy Company has successfully commenced operations; two units of the 2×660MW power plant project located in Xinjiang have met the criteria for trial operation; the construction of the Pingshuo 2×660MW low calorific value coal power project has been progressing in an orderly manner; the new circular economy business line of coal-electricity-chemical has been further upgraded; and significant results have been achieved in industrial restructuring. After acquiring SDIC Jincheng Energy Investment Co., Ltd., the Company increased the anthracite reserve by 320 million tonnes, while the Libi Coal Mine will soon be commenced construction to further secure the enrichment of product mix for the future. With increased efforts of all segments for the full development of the Company, the coal and coal chemical business have recorded an significant increase in profitability, while the economic scale of the electricity business has grown up, and the operation of the integrated service providers' businesses of coal mining equipment manufacturing and energy development has substantially improved, further demonstrating the advantages of the synergic development of "a clean energy supplier and an integrated energy service provider".

During the year, China Coal Energy insisted on the market-oriented approach and strived to improve quality and efficiency, further achieving better results in production and operation. The Company responded actively to the State's call for securing supply by strengthening production structure to optimise continuous production and accelerate release of superior production capacity, thus achieving an output of 77.13 million tonnes of commercial coal, maintaining the year-on-year growth trend. Leveraging on the expertise advantages in coal sales, the Company actively expanded external resources to meet the diverse needs of customers and enhance quality supply capacity, achieving an external coal sales volume of 156 million tonnes, representing a year-on-year growth of 21.3%. The Company strived to improve the stable, long-term and effective operation of coal chemical enterprises to effectively facilitate differentiated operation and new product development. Production volume of polyolefin hit a record high of 1.46 million tonnes in the year, representing a year-on-year growth of 49.6%, while the output of urea reached 1.856 million tonnes, exceeding the production target set at the beginning of the year. Due to innovated marketing models and the establishment of e-commerce platforms, all the coal chemical products produced were sold out. The equipment segment leveraged on technological edge and actively secured high-quality orders to increase revenue from spare parts and maintenance services of coal mining equipment, resulting in a significant increase in newly secured contracts and 34.4% increase in production value of equipment. China Coal Energy strengthened budget execution, implemented positive incentives and enhanced lean management, leading to significantly enhanced operation quality. Net cash generated from operating activities hit another new high record by achieving RMB20.4 billion, representing a year-on-year increase of 16.3%.

During the year, China Coal Energy insisted on leading the industry to deepen reform and innovation while strengthening development momentum on an ongoing basis. The Company actively implemented the state's supply-side structural reform and the work requirements for reform of state-owned enterprises and assets and actively implemented the "Double-Hundred Action" (雙百行動) plan with Equipment Company as the pilot to further promote internal reforms. The Company optimised internal integration and resources allocation, promoted the restructuring of the coal marketing system, and completed the redeployment of the coal sales network. The Company adhered to the principles of "reducing the total number, optimizing structure and improving quality" by optimising human resources allocation and ongoing promotion of reform of the three systems to boost the vitality of the enterprises. The Company endeavoured to accelerate the fostering of innovation capabilities and established research institutes for energy, equipment, etc. in order to enhance industry-university-research strategic cooperation and create a fully developed environment for innovation. Meanwhile, the Company increased investment in technologies, further promoted research on key technologies such as separate underground intelligent mining, having achieved internationally advanced level in mining without roadway techniques, pressure bumps prevention for coal mines as well as gas treatment. As the Company further facilitated intelligent manufacturing and actively pushed forward big-scale, smart and high-end equipment manufacturing, the level of the manufacturing of a complete set of coal mining equipment that enables large-scale, intelligent and comprehensive mining maintained a leading position in the industry. Its affiliated Equipment Company was selected as the demonstration base on the "mass entrepreneurship and innovation" platform of the Ministry of Industry and Information Technology of the PRC. As the operation of coal chemical enterprises enjoyed safe, stable, long-term and quality development through the centralisation of cutting-edge technology, smart factories were able to take shape. The overall and economic technological indicators of the Company's coal chemical business have maintained a leading position in the industry, with its various affiliated digitalised enterprises, including Mengda Company, becoming the demonstration projects of national intelligent manufacturing. Innovation-driven development, constantly improving technological innovation capabilities and significantly boosted core competitiveness have all made important contributions to the improvement of quality and efficiency as well as high-quality development.

During the year, China Coal Energy was committed to sound operation and strengthened risk control to further promote the safe and green development of the Company. China Coal Energy firmly implemented deployment of central government and made every effort to fight the three major battles, effectively preventing and mitigating major risks in areas such as safety, stability, environmental protection and debts. By prioritising safety, enhancing the integrated management of rules and regulations, increasing safety risk prevention and control as well as highlighting the treatment of potential safety hazards, the Company did not record any safety emergencies of major scale or above, achieving safe production with no fatalities during the year, maintaining a satisfactory record of safe production. Meanwhile, the financial leverage ratio was further improved due to enhanced and centralised fund management and control, strengthened fund raising and optimised debt structure. The Company endeavoured to engage in green coal mining with an aim to keep coal gangue in mines and achieve zero emission. The Company further improved its capabilities of raw coal washing and has realised coal washing for all exported coal, which enabled clean and highly efficient use of coal and increased high-quality supply capabilities. With great efforts being put into constructing the ecosystem of the mining areas, treatment of mine collapses and land restoration, the mining recovery rate as well as the overall utilisation rate of mine water and coal gangue maintained an advanced level in the industry. The Company strove to build an advanced and new coal chemical industry and actively engaged in recycling mine water and its full use. The Company has achieved comprehensive upgrade on energy conservation and ultra-low emissions at coal-fired power plants, with an aggregate annual investment of RMB1.17 billion into environmental protection. The Company has also achieved great success in building the energy-saving and green capabilities. Major pollutant emission has decreased for three consecutive years and no major or above environmental incident or accident has occurred throughout the year. Nine coal mines were recognised as *State-level Pilot Green Mine Unit* (國家級綠色礦山試點單位), while six enterprises were awarded *2016-2017 Advanced Enterprise of Energy Conservation and Emission Reduction for Coal Industry* (2016-2017年度煤炭工業節能減排先進企業), and the Pingshuo Group was awarded *2018 Award for Corporate Social Responsibility in Environmental Protection* (2018年度環保社會責任企業獎) for the ecological construction of its mining areas.

During the year, China Coal Energy adhered to the people-oriented philosophy and earnestly performed social responsibilities to promote the harmonious development of the society. Playing a leading role in the industry, the Company set a good example by signing and performing medium and long-term coal contracts, making positive contributions to the continuous stability of the coal market. The Company boosted the vitality of the market entities by strengthening joint venture cooperation with local enterprises and deepening win-win cooperation with private enterprises to promote synergetic development. While maintaining good operating results, the Company realised profit attributable to non-controlling interests of RMB2.98 billion, representing a year-on-year growth of 45.3%. The Company actively promoted shareholding equity management and took the initiative to participate in corporate governance to improve the operation quality, achieving significant increase in share of profits of associates and joint ventures of RMB1.8 billion throughout the year. The Company actively fulfilled its social responsibilities by conducting targeted poverty alleviation through various channels, dedicating a total of over RMB16.80 million to multiple charity funds throughout the year. The Company also actively engaged in construction of major projects in local areas, which drove the development of local economy and created a good corporate environment, achieving a social contribution of RMB2.5 per share throughout the year.

Looking back at 2018, all members of the Company have made concerted efforts to forge ahead and overcome difficulties, with major indicators of production and operation showing relatively good performance. Operating revenue and profit before income tax increased significantly with profit attributable to the equity holders of the Company amounted to RMB4.488 billion, representing a year-on-year growth of 33.3%. Return on capital increased substantially with return on net assets reached 4.95%, representing a year-on-year increase of 1.1 percentage points. Basic earnings per share amounted to RMB0.34, representing a year-on-year increase of RMB0.09. Such results were achieved through the hard work and concerted efforts of all employees of the Company, through the correct leadership and scientific decision-making of the management, and through the care and support from our Shareholders and people from all walks of life!

Looking forward, world economy will remain intricate and complicated, while domestic economy will operate steadily amid changes and worries with increasing pressure of downturn economy. Meanwhile, the Company also sees that the world is confronting with unprecedented great changes not seen in the past century, while China's development is still in and will remain in the period of important strategic opportunities for long term, the long-standing favorable fundamentals of domestic economy will not change as China has sufficient resilience and great development potential. The year 2019 is the 70th anniversary for the founding of New China and also a crucial year for completing the process of building a moderately well-off society in all aspects. The Company believes that under the strong leadership of the Communist Party that revolves around President Xi Jinping, China's economy will maintain continuous healthy development in 2019. From the perspective of energy structure, coal is still the major source of energy in China while economic growth will further drive the demand for coal. Coal consumption will generally remain stable, and the capability of major coal transportation railways will be enhanced, which will further increase supply capacity of coal and gradually reduce the tension between supply and demand in domestic coal market. As the medium and long-term contract system for coal continues to improve and market order is more standardised, coal price may become more stable. After years of unremitting efforts, China Coal Energy has basically completed its mission for the stage of stabilising growth, and will enter a new stage of high quality development in 2019. A new era leads to a new journey and a new stage calls for new missions. The Company will diligently implement new development concepts by adhering to the keynote of seeking progress in stability, continuously pursuing reform of quality, efficiency and momentum, furthering enhancement of corporate innovation capacity, brand influence and core competitiveness, striving to realise more high-quality, efficient and sustainable development, and accelerate construction to become a world-class clean energy supplier and integrated energy service provider with global competitiveness.

In 2019, the Company will firmly focus on its development plan and annual operation plan, and follow the work principles of "quality improvement in stability with reform and innovation" to enhance operation management for quality and efficiency improvement, aiming to ensure the full completion of all production and operating targets as well as major tasks. Firstly, with focus on quality and effectiveness, the Company will enhance the synergy of production and sales, optimise production deployment, improve productivity levels and strive to achieve the annual production target. Secondly, regarding the increase in marketing efforts, the Company will continue to enhance construction of marketing system and mechanisms, strengthen market expansion, enrich and optimise product structures, and continue to improve quality supply capacity while enhancing the revenue and efficiency of the enterprise. Thirdly, regarding the persistent balanced development of "a clean energy supplier and an integrated energy service provider" as well as structural adjustments, the Company will solidly push forward construction of key projects, promote transformation and upgrade of coal, electricity and coal chemical industries, and continue to improve the synergetic development of industry value chains. Fourthly, the Company will continue to push forward lean management, increase cost control, promote management efficiency, and boost product profitability. Regarding the deepening reforms comprehensively, the Company will continue to optimise and adjust the management and control models while pursuing reforms of operation mechanism and system to boost the vitality of the enterprise. Fifthly, regarding the ongoing innovation-driven development, the Company will continue to promote innovation of management and technology while increasing technology investments; continue to carry out technological research, and accelerate commercialisation of technological achievements to promote the transformation and upgrade of the enterprise. Sixthly, the Company will firmly adhere to the ideal of safe development and promote safety protection capacities. The Company will continue to promote green and safety development and effectively control major risks, so as to ensure the harmonious, stable and healthy development of the Company.

With plans and strategies fully in place, the grand initiatives are to take off. The management and all employees of the Company will work together with sheer perseverance, stay true to their original aspirations and endeavour to forge ahead for the new journeys, rising to a new horizon and making new contributions to drive the high-quality development of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND OPERATING RESULTS

The following discussion and analysis should be read in conjunction with the Group's audited financial statements and the notes thereto. The Group's financial statements have been prepared in accordance with the IFRS.

I. Overview

In 2018, amid a continuous stable and favorable trend in the Chinese economy and the comprehensive implementation of the supply-side structural reform, coal market enjoyed overall steady operation. Adhering to the keynote of seeking progress in stability and the firm establishment and implementation of new development philosophy, and centering on promoting quality and benefit as well as core competitiveness, the Group firmly pushed forward 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 year ended 31 December 2018	For the year ended 31 December 2017 (restated)	**Increase/decrease**	
			Increase/ decrease in amount	Increase/ decrease (%)
Revenue	**1,041.40**	815.13	226.27	27.8
Profit before income tax	**100.07**	70.75	29.32	41.4
EBITDA	**194.01**	162.21	31.80	19.6
Profit attributable to the equity holders of the Company	**44.88**	33.67	11.21	33.3
Net cash generated from operating activities	**204.14**	175.52	28.62	16.3

Unit: RMB100 million

	As at 31 December 2018	As at 31 December 2017 (restated)	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease (%)
Assets	**2,645.66**	2,520.00	125.66	5.0
Liabilities	**1,540.32**	1,455.78	84.54	5.8
Interest-bearing debts	**973.61**	959.70	13.91	1.4
Equity	**1,105.34**	1,064.22	41.12	3.9
Equity attributable to the equity holders of the Company	**919.85**	893.02	26.83	3.0
Gearing ratio (%) = total interest-bearing debts/ (total interest-bearing debts + equity)	**46.8**	47.4	A decrease of 0.6 percentage point	

II. Operating Results

(1) Consolidated operating results

1. Revenue

For the year ended 31 December 2018, the Group's revenue net of inter-segmental sales increased from RMB81.513 billion for the year ended 31 December 2017 to RMB104.140 billion, representing an increase of RMB22.627 billion or 27.8%, which was mainly due to the expansion of sales volume and year-on-year increase in 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's grasp of the market recovery opportunities.

Revenue net of inter-segmental sales generated from each operating segment of the Group for the year ended 31 December 2018 and the year-on-year changes are set out as follows:

Unit: RMB100 million

	Revenue net of inter-segmental sales		Increase/decrease	
	For the year ended 31 December 2018	For the year ended 31 December 2017 (restated)	Increase/ decrease in amount	Increase/ decrease (%)
Coal operations	**770.94**	611.08	159.86	26.2
Coal chemical operations	**178.66**	127.34	51.32	40.3
Coal mining equipment operations	**61.85**	52.79	9.06	17.2
Finance and other operations	**29.95**	23.92	6.03	25.2
Total	**1,041.40**	815.13	226.27	27.8

The proportion of revenue net of inter-segmental sales generated from each operating segment of the Group in the Group's total revenue for the year ended 31 December 2018 and the year-on-year changes are set out as follows:

	Proportion of revenue net of inter-segmental sales (%)		
	For the year ended 31 December 2018	For the year ended 31 December 2017 (restated)	**Increase/ decrease (percentage point(s))**
Coal operations	**74.0**	75.0	-1.0
Coal chemical operations	**17.2**	15.6	1.6
Coal mining equipment operations	**5.9**	6.5	-0.6
Finance and other operations	**2.9**	2.9	–

2. *Cost of sales*

For the year ended 31 December 2018, the Group's cost of sales increased from RMB65.906 billion for the year ended 31 December 2017 to RMB85.883 billion, representing an increase of 30.3%.

The costs of materials used and goods traded increased by 48.9% from RMB36.184 billion for the year ended 31 December 2017 to RMB53.879 billion, representing 62.7% of the cost of sales, which was mainly attributable to the increase in sales volume of proprietary coal trading as a result of the Group's intention of expanding its market shares 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 a year-on-year increase in the sales volume of coal mining equipment operations.

Staff costs increased by 8.1% from RMB4.202 billion for the year ended 31 December 2017 to RMB4.542 billion, representing 5.3% of the cost of sales, 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 amortisation costs increased by 11.6% from RMB6.216 billion for the year ended 31 December 2017 to RMB6.940 billion, representing 8.1% of the cost of sales, the primary reason is that the Group's construction projects including Mengda Engineering Plastics Project, Nalin River No. 2 Coal Mine Project, Muduchaideng Coal Mine Project and others, have been put into operation successively during the second half of 2017.

Repairs and maintenance costs decreased by 9.6% from RMB1.692 billion for the year ended 31 December 2017 to RMB1.530 billion, representing 1.8% of the cost of sales.

Transportation costs and port expenses increased by 6.4% from RMB9.390 billion for the year ended 31 December 2017 to RMB9.992 billion, representing 11.6% of the cost of sales, which was mainly attributable to the Group's expansion of sales volume and the year-on-year increase of the coal trading volume, in which the transportation costs were borne by the Group.

Sales taxes and surcharges increased by 25.0% from RMB2.267 billion for the year ended 31 December 2017 to RMB2.834 billion, representing 3.3% of the cost of sales, which was mainly attributable to the year-on-year increase in the resources tax and consumption tax resulting from the year-on-year increase in sales volume and prices of the Group's major products, and the payment of water resources tax according to the relevant "Tax-for-Fee" pilot policy.

Outsourced mining engineering cost increased by 31.2% from RMB1.377 billion for the year ended 31 December 2017 to RMB1.807 billion, representing 2.1% of the cost of sales, which was mainly attributable to the increase in the outsourced mining engineering volume arising from the expanded production and continuous investment by the coal production enterprises of the Group to keep up with the progress in land acquisition and relocation.

Other costs decreased by 4.8% from RMB4.578 billion for the year ended 31 December 2017 to RMB4.359 billion, representing 5.1% of the cost of sales, which was mainly attributable to the year-on-year decrease in the small and medium 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 year ended 31 December 2018, the integrated gross profit margin of the Group decreased by 1.6 percentage points from 19.1% for the year ended 31 December 2017 to 17.5%, 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 17.0% from RMB15.607 billion for the year ended 31 December 2017 to RMB18.257 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 year ended 31 December 2018 and the year-on-year changes are as follows:

Unit: RMB100 million

	Gross profit			**Gross profit margin (%)**		
	For the year ended 31 December 2018	For the year ended 31 December 2017 (restated)	**Increase/ decrease (%)**	**For the year ended 31 December 2018**	For the year ended 31 December 2017 (restated)	**Increase/ decrease (percentage point(s))**
Coal operations	**144.93**	126.02	15.0	**17.9**	19.6	-1.7
Self-produced commercial coal	**140.38**	122.74	14.4	**36.1**	33.2	2.9
Proprietary coal trading	**3.97**	2.58	53.9	**1.0**	1.0	–
Coal chemical operations	**32.10**	23.83	34.7	**17.8**	18.7	-0.9
Coal mining equipment operations	**9.31**	7.32	27.2	**13.2**	12.7	0.5
Finance and other operations	**-3.03**	-0.70	332.9	**-7.9**	-2.1	-5.8
Group	**182.57**	156.07	17.0	**17.5**	19.1	-1.6

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 operations

- 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 year ended 31 December 2018, the total revenue from coal operations of the Group increased from RMB64.384 billion for the year ended 31 December 2017 to RMB80.912 billion, representing an increase of 25.7%; revenue net of other inter-segmental sales increased from RMB61.108 billion for the year ended 31 December 2017 to RMB77.094 billion, representing an increase of 26.2%.

For the year ended 31 December 2018, revenue from sales of self-produced commercial coal of the Group increased from RMB36.977 billion for the year ended 31 December 2017 to RMB38.914 billion, representing an increase of 5.2%. Revenue net of other inter-segmental sales increased from RMB36.735 billion for the year ended 31 December 2017 to RMB38.426 billion, representing an increase of 4.6%. For the year ended 31 December 2018, the Group's sales of self-produced commercial coal increased by 1.67 million tonnes year-on-year to 76.67 million tonnes, leading to an increase of RMB823 million in sales revenue; weighted average sales price of self-produced commercial coal increased by RMB15/tonne year-on-year to RMB508/tonne, leading to an increase in sales revenue by RMB1.114 billion.

For the year ended 31 December 2018, revenue from sales of proprietary coal trading of the Group increased from RMB26.821 billion for the year ended 31 December 2017 to RMB41.515 billion, representing an increase of 54.8%. Revenue net of other inter-segmental sales increased from RMB23.910 billion for the year ended 31 December 2017 to RMB38.257 billion, representing an increase of 60.0%.

For the year ended 31 December 2018, revenue from coal agency operations of the Group decreased from RMB37 million for the year ended 31 December 2017 to RMB31 million, representing a decrease of RMB6 million.

The Group's coal sales volume and selling prices for the year ended 31 December 2018 and the year-on-year changes before netting of other inter-segmental sales are set out as follows:

				For the year ended 31 December 2018		For the year ended 31 December 2017 (restated)		**Increase/decrease** Increase/decrease in amount		**Increase/decrease** Increase/ decrease	
				Sales volume ***(10,000 tonnes)***	**Selling price** ***(RMB/ tonne)***	Sales volume *(10,000 tonnes)*	Selling price *(RMB/ tonne)*	Sales volume *(10,000 tonnes)*	Selling price *(RMB/ tonne*	Sales volume *(%)*	Selling price *(%)*
1.	Self-produced commercial coal	Total		**7,667**	**508**	7,500	493	167	15	2.2	3.0
		(I)	Thermal coal	**6,792**	**443**	6,640	440	152	3	2.3	0.7
			1. Domestic sale	**6,786**	**442**	6,631	439	155	3	2.3	0.7
			2. Export	**6**	**590**	9	577	-3	13	-33.3	2.3
		(II)	Coking coal	**875**	**1,012**	860	905	15	107	1.7	11.8
			Domestic sale	**875**	**1,012**	860	905	15	107	1.7	11.8
II.	Proprietary coal trading	Total		**8,360**	**497**	5,414	495	2,946	2	54.4	0.4
		(I)	Domestic resale	**8,305**	**494**	5,267	496	3,038	-2	57.7	-0.4
		(II)	Self-operated exports*	**27**	**1,260**	19	1,242	8	18	42.1	1.4
		(III)	Import trading	**28**	**526**	124	364	-96	162	-77.4	44.5
		(IV)	Transit trading	☆	☆	4	626	-4	–	-100.0	–
III.	Import and export and domestic agency★	Total		**658**	**5**	846	4	-188	1	-22.2	25.0
		(I)	Import agency	**40**	**5**	115	3	-75	2	-65.2	66.7
		(II)	Export agency	**238**	**8**	251	7	-13	1	-5.2	14.3
		(III)	Domestic agency	**380**	**3**	480	3	-100	0	-20.8	–

* : Briquette export.

☆ : Not incurred during the reporting period.

★ : Selling price is agency service fee.

- Cost of sales

For the year ended 31 December 2018, cost of sales for the Group's coal operations increased from RMB51.782 billion for the year ended 31 December 2017 to RMB66.419 billion, representing an increase of 28.3%. The major cost items and the year-on-year changes are set out as follows:

Unit: RMB100 million

Item	**For the year ended 31 December 2018**	For the year ended 31 December 2017 (restated)	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease (%)
Material costs	**42.83**	47.22	-4.39	-9.3
Proprietary coal trading costs★	**390.80**	250.87	139.93	55.8
Staff costs	**27.43**	26.89	0.54	2.0
Depreciation and amortisation	**37.52**	37.89	-0.37	-1.0
Repairs and maintenance	**9.76**	10.19	-0.43	-4.2
Transportation costs and port expenses	**89.96**	83.26	6.70	8.0
Sales taxes and surcharges	**24.32**	19.85	4.47	22.5
Outsourced mining engineering fee	**18.07**	13.77	4.30	31.2
Other costs*	**23.50**	27.88	-4.38	-15.7
Total cost of sales for coal operations	**664.19**	517.82	146.37	28.3

★ : This costs do not include the transportation costs of proprietary coal trading which amounted to RMB2.039 billion in 2018 and 1.476 billion in 2017.

* : Other costs mainly include environmental restoration expenses incurred in relation to coal mining, and expenditures charged to the cost for small and medium projects etc. incurred in direct relation to coal production.

For the year ended 31 December 2018, the cost of sales for the Group's self-produced commercial coal increased by RMB173 million year-on-year to RMB24.876 billion, representing an increase of 0.7%. The unit cost of sales decreased by RMB4.93/tonne year-on-year to RMB324.45/tonne, representing a decrease of 1.5%.

For the year ended 31 December 2018, the cost of sales of the proprietary coal trading of the Group increased by RMB14.555 billion year-on-year to RMB41.118 billion, representing an increase of 54.8%. The unit cost of sales increased by RMB1.18/tonne year-on-year to RMB491.83/tonne, representing an increase of 0.2%.

The major items of Group's unit cost of sales of self-produced commercial coal for the year ended 31 December 2018 and the year-on-year changes are set out as follows:

Unit: RMB/tonne

Item	**For the year ended 31 December 2018**	For the year ended 31 December 2017	Increase/decrease: Increase/ decrease in amount	Increase/decrease: Increase/ decrease (%)
Materials costs	**55.87**	62.96	-7.09	-11.3
Staff costs	**35.77**	35.86	-0.09	-0.3
Depreciation and amortisation	**48.94**	50.51	-1.57	-3.1
Repairs and maintenance	**12.73**	13.58	-0.85	-6.3
Transportation costs and port expenses	**90.74**	91.33	-0.59	-0.6
Sales taxes and surcharges	**31.72**	26.47	5.25	19.8
Outsourced mining engineering fees	**23.57**	18.36	5.21	28.4
Other costs	**25.11**	30.31	-5.20	-17.2
Unit cost of sales of self-produced commercial coal	**324.45**	329.38	-4.93	-1.5

Unit materials costs decreased by RMB7.09/tonne year-on-year, which was mainly attributable to the reduction in material consumption as a result of cost control enhancement by the Group, and reduction in external purchase of raw coal for washing purposes as a result of the quality improvement of self-produced raw coal.

Unit sales taxes and surcharges increased by RMB5.25/tonne year-on-year, which was mainly attributable to a year-on-year increase in resource tax resulting from the year-on-year increase in the Group's coal sales volume and prices, and the payment of water resources tax according to the relevant "Tax-for-Fee" pilot policy.

Unit outsourced mining engineering fees increased by RMB5.21/tonne year-on-year, which was mainly attributable to the increase in the outsourced mining engineering volume arising from the expanded production and continuous investment by the coal production enterprises of the Group to keep up with the progress in land acquisition and relocation.

Unit other costs decreased by RMB5.20/tonne year-on-year, which was mainly attributable to the year-on-year decrease in the small and medium mining engineering expenditure 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 year ended 31 December 2018, the Group's gross profit margin of the coal operations decreased by 1.7 percentage points from 19.6% for the year ended 31 December 2017 to 17.9%, which was mainly attributable to the increase in sales volume of proprietary coal trading to expand market shares. However, the gross profit increased by 15.0% from RMB12.602 billion for the year ended 31 December 2017 to RMB14.493 billion as a result of the increase in selling prices and effective control of production costs.

2. *Coal chemical operations*

- Revenue

  For the year ended 31 December 2018, the Group's revenue from coal chemical operations increased by 41.3% from RMB12.744 billion for the year ended 31 December 2017 to RMB18.006 billion, and revenue net of other inter-segmental sales increased by 40.3% from RMB12.734 billion for the year ended 31 December 2017 to RMB17.866 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 in the same period last year, as well as the year-on-year increase in selling price of major coal chemical products.

  For the year ended 31 December 2018, among the Group's main coal chemicals products, external sales revenue of polyethylene increased by RMB2.050 billion or 50.8% from RMB4.037 billion for the year of 2017 to RMB6.087 billion; the external sales revenue of polypropylene increased by RMB2.306 billion or 66.5% from RMB3.467 billion for the year of 2017 to RMB5.773 billion; the external sales revenue of urea increased by RMB204 million or 6.2% from RMB3.306 billion for the year of 2017 to RMB3.510 billion; the external sales revenue of methanol decreased by RMB111 million or 38.7% from RMB287 million for the year of 2017 to RMB176 million.

The sales volume and selling price of the major chemical products of the Group and the year-on-year changes are set out as follows:

	For the year ended 31 December 2018		For the year ended 31 December 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	**146.7**	**8,086**	97.7	7,677	49.0	409	50.2	5.3
1. Polyethylene	**74.4**	**8,181**	50.0	8,071	24.4	110	48.8	1.4
2. Polypropylene	**72.3**	**7,988**	47.7	7,264	24.6	724	51.6	10.0
II. Urea☆	**192.9**	**1,819**	229.0	1,444	-36.1	375	-15.8	26.0
III. Methanol◆	**7.5**	**2,342**	13.3	2,148	-5.8	194	-43.6	9.0

☆: Including sales of small granular urea produced by Lingshi China Coal Chemical Co., Ltd., a subsidiary of the China Coal Group with 245,100 tonnes in 2018 and 67,800 tonnes in 2017.

◆: 1. Including sales of methanol produced by Heilongjiang Coal Chemical Group, a subsidiary of China Coal Group with 24,200 tonnes in 2017. No such item occurred in this year.

2. Setting off the internal consumption volumes of the Company amounting to 644,200 tonnes and a corresponding revenue elimination of RMB1.335 billion in 2018; 586,000 tonnes and a corresponding revenue elimination of RMB1.089 billion in 2017.

- Cost of sales

For the year ended 31 December 2018, cost of sales for the Group's coal chemical operations increased from RMB10.361 billion for the year ended 31 December 2017 to RMB14.796 billion, representing an increase of 42.8%. The major cost items and the year-on-year changes are set out as follows:

Unit: RMB100 million

Item	**For the year ended 31 December 2018**	For the year ended 31 December 2017	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease (%)
Materials costs	**88.92**	54.48	34.44	63.2
Staff costs	**7.57**	6.31	1.26	20.0
Depreciation and amortization	**24.57**	17.96	6.61	36.8
Repairs and maintenance	**3.68**	5.07	-1.39	-27.4
Transportation costs and port expenses	**9.41**	9.72	-0.31	-3.2
Sales taxes and surcharges	**2.93**	1.77	1.16	65.5
Other costs	**10.88**	8.30	2.58	31.1
Total cost of sales for coal chemical operations	**147.96**	103.61	44.35	42.8

The cost of sales of the major coal chemical products of the Group for the year ended 31 December 2018 and the year-on-year changes are set out as follows:

	Cost of sales (RMB100 million)			Unit cost of sales (RMB/tonne)		
	For the year ended 31 December 2018	For the year ended 31 December 2017	**Increase/ decrease in amount**	**For the year ended 31 December 2018**	For the year ended 31 December 2017	**Increase/ decrease in amount**
I. Polyolefin	**99.86**	61.59	38.27	**6,809**	6,301	508
1. Polyethylene	**50.65**	31.57	19.08	**6,807**	6,313	494
2. Polypropylene	**49.21**	30.02	19.19	**6,810**	6,288	522
II. Urea	**24.48**	26.62	-2.14	**1,269**	1,163	106
III. Methanol	**1.23**	2.48	-1.25	**1,635**	1,859	-224

For the year ended 31 December 2018, the Group's cost of sales of polyolefin was RMB9.986 billion, representing a year-on-year increase of RMB3.827 billion; the unit cost of sales of polyolefin was RMB6,809/tonne, representing a year-on-year increase of RMB508/tonne, which was mainly due to the combined effects of the year-on-year increase in both the 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 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 RMB2.448 billion, representing a year-on-year decrease of RMB214 million; the unit cost of sales of urea was RMB1,269/tonne, representing a year-on-year increase of RMB106/tonne, which was mainly due to the combined effects of the price rise of raw materials and the year-on-year decrease in production and sales volume. Cost of sales of methanol was RMB123 million, representing a year-on-year decrease of RMB125 million, and the unit cost of sales of methanol was RMB1,635/tonne, representing a year-on-year decrease of RMB224/tonne, which was mainly due to the combined effects such as the increase of the Group's internal use of methanol and the year-on-year decrease in external sales volume resulting from the overhaul of facilities and structural change of external sales products.

- Gross profit and gross profit margin

For the year ended 31 December 2018, due to an increase of material prices, the gross profit margin of the Group's coal chemical operations decreased from 18.7% for the year ended 31 December 2017 to 17.8%, representing a decrease of 0.9 percentage points. The gross profit increased by 34.7% from RMB2.383 billion for the year ended 31 December 2017 to RMB3.210 billion, which was due to the increase in sales volume of polyolefin and price rise of coal chemical products.

3. *Coal mining equipment operations*

- Revenue

For the year ended 31 December 2018, the Group's revenue from the coal mining equipment operations increased from RMB5.752 billion for the year ended 31 December 2017 to RMB7.052 billion, representing an increase of 22.6%, of which the revenue net of other inter-segmental sales increased from RMB5.279 billion for the year ended 31 December 2017 to RMB6.185 billion, representing an increase of 17.2%. 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 year ended 31 December 2018, the Group's cost of sales for the coal mining equipment operations increased from RMB5.020 billion for the year ended 31 December 2017 to RMB6.121 billion, representing an increase of 21.9%, which was mainly due to a year-on-year increase of coal mining equipment sales. The major cost items and the year-on-year changes are set out as follows:

Unit: RMB100 million

Item	**For the year ended 31 December 2018**	For the year ended 31 December 2017 (Restated)	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease (%)
Materials costs	**45.46**	34.70	10.76	31.0
Staff costs	**5.07**	4.59	0.48	10.5
Depreciation and amortisation	**3.23**	3.09	0.14	4.5
Repairs and maintenance	**0.52**	0.34	0.18	52.9
Transportation costs	**1.20**	0.95	0.25	26.3
Sales taxes and surcharges	**0.26**	0.25	0.01	4.0
Other costs	**5.47**	6.28	-0.81	-12.9
Total cost of sales for coal mining equipment operations	**61.21**	50.20	11.01	21.9

- Gross profit and gross profit margin

  For the year ended 31 December 2018, the gross profit of the Group's coal mining equipment operations segment increased from RMB732 million for the year ended 31 December 2017 to RMB931 million, representing an increase of 27.2%; and the gross profit margin increased from 12.7% for the year ended 31 December 2017 to 13.2%, representing an increase of 0.5 percentage point.

4. *Finance and other operations*

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

For the year ended 31 December 2018, the Group's revenue from finance and other operations increased from RMB3.375 billion for the year ended 31 December 2017 to RMB3.851 billion, representing an increase of 14.1%. The revenue net of other inter-segmental sales increased from RMB2.392 billion for the year ended 31 December 2017 to RMB2.995 billion, representing an increase of 25.2%. Cost of sales increased from RMB3.445 billion for the year ended 31 December 2017 to RMB4.154 billion, representing an increase of 20.6%. Gross profit decreased by RMB233 million from RMB-70 million for the year ended 31 December 2017 to RMB-303 million, and gross profit margin decreased from -2.1% for the year ended 31 December 2017 to -7.9%, representing a decrease of 5.8 percentage points.

For the year ended 31 December 2018, the Group's profit before income tax from Finance Company increased from RMB493 million for the year ended 31 December 2017 to RMB659 million, representing an increase of RMB166 million or 33.7%.

(3) Selling expenses, general and administrative expenses

For the year ended 31 December 2018, the Group's selling expenses, general and administrative expenses increased from RMB4.727 billion for the year ended 31 December 2017 to RMB5.359 billion, representing an increase of 13.4%, 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 and operation of construction projects such as Mengda Engineering Plastics Project, Nalin River No. 2 Coal Mine Project and Muduchaideng Coal Mine Project in the second half of 2017.

(4) Other gains and losses

For the year ended 31 December 2018, the net other gains and losses of the Group increased from RMB-1.411 billion for the year ended 31 December 2017 to RMB-915 million, representing an increase of RMB496 million. This was mainly attributable to the significant improvement in the Group's asset quality in this year and accordingly a decrease in assets impairment.

The Group further pushed forward the supply-side structural reform in combination with dedicated tasks such as "de-capacity" and "disposal and governance of zombie and difficult enterprises" to objectively and fairly reflect the status of the Group's assets. In line with the principle of prudence, the Group conducted impairment tests on assets that showed signs of impairment in 2018 according to China Accounting Standards for Business Enterprises and IFRS, and recognised impairment provisions accordingly based on the result of the impairment tests. Among which, provision for impairment of property, plant and equipment with recoverable amount less than carrying amount amounted to RMB863 million; provision for impairment of mining rights with recoverable amount less than carrying amount amounted to RMB99 million. In addition, provision for impairment of inventories with cost higher than net realisable value amounted to RMB143 million, which was recorded in cost of sales of the Group; and the provision of impairment for receivables and others were made in accordance with the International Financial Reporting Standards No. 9 – Financial Instruments, and "credit impairment loss, net of reversal" of the Group of RMB136 million was recognised.

(5) *Profit from operations*

For the year ended 31 December 2018, the Group's profit from operations increased from RMB9.296 billion for the year ended 31 December 2017 to RMB11.852 billion, representing an increase of 27.5%. Profits from operations for major operating segments and the year-on-year changes are as follows:

Unit: RMB100 million

Item	**For the year ended 31 December 2018**	For the year ended 31 December 2017 (restated)	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease (%)
The Group	**118.52**	92.96	25.56	27.5
Of which: Coal operations	**109.04**	86.48	22.56	26.1
Coal chemical operations	**20.24**	10.21	10.03	98.2
Coal mining equipment operations	**2.12**	0.85	1.27	149.4
Finance and other operations	**-9.24**	-3.02	-6.22	206.0

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

(6) *Finance income and finance costs*

For the year ended 31 December 2018, the Group's net finance costs increased from RMB3.344 billion for the year ended 31 December 2017 to RMB3.653 billion, representing an increase of 9.2%, of which finance cost was RMB4.356 billion, representing a year-on-year increase of RMB445 million, which was mainly attributable to the relevant finance costs incurred since the commencement of production in construction projects such as Mengda Engineering Plastics Project, Nalin River No. 2 Coal Mine Project and Muduchaideng Coal Mine Project in the second half of 2017 and the interest expense were recorded as expenses; financial income was RMB703 million, representing a year-on-year increase of RMB136 million, which was mainly due to the combined effects of the increase in interest income from the Group's adoption of refined capital management and the decrease in interest income resulted from the recovery of entrusted loans.

(7) Share of profits of associates and joint ventures

For the year ended 31 December 2018, the Group's share of profits of associates and joint ventures increased from RMB1.122 billion for the year ended 31 December 2017 to RMB1.809 billion, representing an increase of 61.2%. This was mainly attributable to the 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 year ended 31 December 2018, the profit before income tax of the Group increased from RMB7.075 billion for the year ended 31 December 2017 to RMB10.007 billion, representing an increase of 41.4%.

(9) Income tax expense

For the year ended 31 December 2018, the Group's income tax expense increased from RMB1.656 billion for the year ended 31 December 2017 to RMB2.535 billion, representing an increase of 53.1%.

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

For the year ended 31 December 2018, the profit attributable to the equity holders of the Company increased from RMB3.367 billion for the year ended 31 December 2017 to RMB4.488 billion, representing an increase of 33.3%.

III. Cash Flow

As at 31 December 2018, the balance of the Group's cash and cash equivalents amounted to RMB8.354 billion, representing a net decrease of RMB1.823 billion as compared to RMB10.177 billion as at 31 December 2017.

Net cash generated from operating activities increased by RMB2.862 billion from RMB17.552 billion for the year ended 31 December 2017 to RMB20.414 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 RMB4.530 billion from RMB-10.081 billion for the year ended 31 December 2017 to RMB-14.611 billion. This was mainly attributable to the combined effects of the year-on-year increase in cash payment of RMB1.316 billion for capital expenditure such as purchase and construction of fixed assets, intangible assets and other long-term assets in the reporting period; the year-on-year increase of RMB3.262 billion in cash outflow generated from the movement of fixed term deposits with initial terms exceeding three months resulted from the enhancement of refined management; the year-on-year decrease of RMB1.868 billion in cash inflow from receipt of considerations for transfer of assets and the recovery at clearing amounts due from enterprises being disposed of; the year-on-year increase of RMB949 million in distributed dividends from investees and other factors.

Net cash generated from financing activities decreased by RMB369 million from RMB-7.245 billion for the year ended 31 December 2017 to RMB-7.614 billion. This was mainly attributable to the increase of RMB2.029 billion in consideration for acquisition of subsidiaries under common control for the reporting period, the net increase of RMB1.458 billion in interest-bearing debts in response to the Group's needs for development and construction for the reporting period, representing an increase of RMB2.316 billion in net cash inflow as compared to the net decrease of RMB858 million in interest-bearing debts for same period of last year.

IV. Liquidity And Sources of Capital

For the year ended 31 December 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 banks' credit facilities obtained and the issue amount of bonds approved but not utilised will provide sufficient capital funds for future production and operating activities as well as project construction.

V. Assets And Liabilities

(1) Property, plant and equipment

As at 31 December 2018, the net value of property, plant and equipment of the Group amounted to RMB131.908 billion, representing a net increase of RMB1.407 billion or 1.1% as compared to RMB130.501 billion as at 31 December 2017, among which the net value of buildings amounted to RMB38.167 billion, representing a proportion of 28.9%; the net value of mining structures amounted to RMB20.195 billion, representing a proportion of 15.3%; the net value of plants, machinery and equipment amounted to RMB43.695 billion, representing a proportion of 33.1%; the net value of construction in progress amounted to RMB25.662 billion, representing a proportion of 19.5%; the net value of railway, transportation vehicle and others amounted to RMB4.189 billion, representing a proportion of 3.2%.

(2) Mining rights

As at 31 December 2018, the net value of the Group's mining rights amounted to RMB35.553 billion, representing a net increase of RMB2.769 billion or 8.4% as compared to RMB32.784 billion as at 31 December 2017, which was mainly because the Group increased its coal resources through the application for new mines and the integration of some coal mines in the reporting period.

(3) Investments in associates and joint ventures

As at 31 December 2018, the net value of the Group's investments in associates and joint ventures amounted to RMB19.827 billion, representing a net increase of RMB824 million or 4.3% as compared to RMB19.003 billion as at 31 December 2017. This was mainly due to the combined effects of the Group's recognition of the investment income from associates and joint ventures in proportion to its shareholdings in the reporting period and the receipt of dividends from certain associates and joint ventures.

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

As at 31 December 2018, the net value of equity instruments at fair value through other comprehensive income of the Group amounted to RMB4.564 billion, and the net value of available-for-sale financial assets was nil. It was mainly because the Group, in accordance with the International Financial Reporting Standards No. 9 – Financial Instruments, has adjusted the investment from available-for-sale financial assets to equity instruments at fair value through other comprehensive income.

(5) Trade receivables and contract assets

As at 31 December 2018, the Group's net value of trade receivables amounted to RMB4.881 billion, representing a net decrease of RMB1.919 billion as compared to RMB6.80 billion as at 31 December 2017. It was mainly because the Group enhanced efforts in collecting accounts receivables. In addition, the Group, in accordance with the International Financial Reporting Standards No. 15 – Revenue from Contracts with Customers and the Related Amendments, has recognized the right to receive a considerations for products that have been transferred before conditions of receiving payments being fulfilled as contract assets, the net value of which was RMB1.015 billion as at 31 December 2018.

(6) Debt instruments at FVTOCI and notes receivables

As at 31 December 2018, the Group's net value of debt instruments at fair value through other comprehensive income (FVTOCI) was RMB9.989 billion, and the net value of its notes receivables was nil. 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 FVTOCI.

(7) Trade and notes payables

As at 31 December 2018, the Group's balance of trade and notes payables amounted to RMB23.253 billion, representing an increase of RMB340 million or 1.5% as compared to RMB22.913 billion as at 31 December 2017.

(8) Contract liabilities

As at 31 December 2018, the balance of the Group's contract liabilities amounted to RMB2.479 billion. It was mainly 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 31 December 2018, the balance of borrowings of the Group amounted to RMB63.471 billion, representing a net decrease of RMB2.633 billion or 4.0% as compared to RMB66.104 billion as at 31 December 2017. It was mainly due to the continuous increase in the Group's operating results and net cash generated from operating activities, reasonable control of the scale of borrowings 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 RMB57.163 billion, representing a net decrease of RMB1.345 billion as compared to RMB58.508 billion as at 31 December 2017, and the balance of short-term borrowings amounted to RMB6.308 billion, representing a net decrease of RMB1.288 billion as compared to RMB7.596 billion as at 31 December 2017.

(10) Bonds

As at 31 December 2018, the balance of bonds of the Group amounted to RMB33.891 billion, representing a net increase of RMB4.025 billion or 13.5% as compared to RMB29.866 billion as at 31 December 2017, which was mainly due to the issuance of corporate bonds of RMB7.0 billion and repayment of due short-term financing bonds of RMB3.0 billion during the reporting period.

VI. Equity

As at 31 December 2018, the equity of the Group was RMB110.534 billion, representing an increase of RMB4.112 billion or 3.9% from RMB106.422 billion as at 31 December 2017, among which, the equity attributable to the equity holders of the Company was RMB91.985 billion, representing an increase of RMB2.683 billion or 3.0% from RMB89.302 billion as at 31 December 2017. The items under the equity subject to significant change are analyzed below:

(I) Reserves

As at 31 December 2018, the reserve of the Group was RMB46.304 billion, representing an increase of RMB866 million or 1.9% from RMB45.438 billion as at 31 December 2017, which was mainly because members of the Group made provision of the special fund according to the relevant rules and utilized the special fund as planned during the period, and the balance thereof resulted in the increase of the accumulated balance of the special fund.

(II) Retained earnings

As at 31 December 2018, the retained earnings of the Group was RMB32.423 billion, representing an increase of RMB1.818 billion or 5.9% from RMB30.605 billion as at 31 December 2017, which was mainly because of the profit attributable to the equity holders of the Company for the reporting period of RMB4.488 billion, the decrease of RMB1.249 billion for adjusted special fund by the members of the Group, the decrease of RMB729 million for dividend distribution for 2017 and the decrease of RMB692 million for the merger of enterprises under common control and other factors.

VII. Significant Charge of Assets

The Group did not have significant charge of assets during the reporting period. As at 31 December 2018, the book value of the Group's charge of assets amounted to RMB5.522 billion, of which the book value of pledged assets was RMB474 million and the book value of mortgaged assets was RMB5.048 billion.

VIII. Significant Investment

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

IX. Material Acquisitions and Disposals

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

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. During the reporting period, the Group issued corporate bonds of RMB7.0 billion.

XI. Operational Risks

(1) Risks of fluctuation in macro economy

The coal industry is a fundamental sector of the Chinese economy, which is closely linked to the macro economy and significantly affected by other relevant industries including electricity, metallurgy, construction materials and chemical industry. Currently, owing to the complicated and harsh circumstances of the world economy and trade, there are still many unstable factors affecting the macro economy, which may have certain impacts on the operating results of the Company. The Company will adhere to its strategic goals of continuing to optimise its industrial layout and expediting the industry structure adjustments by executing strict budget planning, strengthening regular monitoring and analysis, and enhancing risk management so as to strive to achieve stable and orderly production and operation.

(2) Risks of fluctuation in product prices

Due to various factors such as demand and supply, characteristics of products, transportation capacity and weather, it remains difficult to accurately determine the trend of prices of coal and coal chemical products. The volatility in international crude oil prices significantly affects the prices of domestic chemical products, which further poses a certain impact on the profit margin of the coal chemical products of the Company. The Company will enhance market analysis, flexibly adjust its marketing strategy and increase the profitability of its products.

(3) Risks of safe production

Restricted by factors such as natural conditions and characteristics of production, the production processes of coal mining and coal chemical products involve higher safety risks which make safety management more difficult. The Company continues to improve the safety management and risk prevention system, vigorously promotes safe and efficient construction of coal mines and upgrades the level of automatic production. Meanwhile, the Company makes great efforts to ensure the safe operation at every production stage by laying emphasis on the enhancement of system protection capacity and the launch of special projects regularly to address major disasters.

(4) Risks of project investment

New investment projects normally require longer time from the feasibility study to effective production. Due to the uncertainty in the approval process and constant changes in the industry of the project and related industries, the date of completion of the project and the actual yield of the project after it is put into operation may be different from the expectation to a certain extent. The Company will strengthen the preliminary project work by expediting the procedures for relevant certificates and licenses and ensuring rational investment scale and pace so as to control investment costs and avoid investment risks.

(5) Risks of environmental protection

The production of coal and coal chemical will inevitably affect the environment to a certain extent. The Company has followed the laws and regulations on energy conservation and emission reduction and will continue to promote the development of a "Green China Coal". The Company has continuously increased investment in technology and environmental protection and adhered to a coordinated development of coal mining and environmental protection. The Company is actively committed to social responsibility by carrying out land subsidence treatment and reclamation work in mining areas in a down-to-earth manner, developing circular economy in mining areas and striving to establish a resource-saving and environmentally friendly enterprise.

(6) Risks of rising costs

In recent years, the pressure of coal cost control has been relatively greater due to factors such as complex coal mining conditions, increasing investments in the maintenance of large equipment, safety and environmental protection, and decrease in the production volume of certain mines. The Company will continue to exert greater effort in cost control by adopting new technologies, new working processes and new equipment, optimising production layout, improving production efficiency and reducing material purchase costs and unit consumption level to prevent cost increases.

(7) Risks of foreign exchange

The export sales of the Company are generally settled in US dollars. Meanwhile, the Company needs foreign currencies, mainly US dollars, to pay for imported equipment and spare parts. The fluctuations in the exchange rate of a foreign currency against RMB have both favourable and unfavourable influences on the operating results of the Company. The Company will enhance the effort to analyse the trend of the global exchange market, effectively control and prevent the risks of foreign exchange by using various financial instruments.

XII. Contingent Liabilities

(1) Bank guarantees

As at 31 December 2018, the Group provided guarantees of RMB20.322 billion in total, of which guarantees of RMB14.748 billion were provided to the equity investment entities in proportion to the Group's shareholdings.

(2) Environmental protection responsibilities

Environmental protection laws and regulations have been fully implemented in China. 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 year ended 31 December 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. Principal Business Operations of the Company in 2018

The Company is a large-scale energy enterprise integrating businesses such as coal production and trading, coal chemical operations, coal equipment manufacturing and relevant services as well as pit-mouth power generation. With the advanced technology for coal mining, washing and preparation of coal, comprehensive marketing and customer service networks, the Company's overall strength is at the leading edge in the coal industry by focusing on the principal coal business. Over the years, the Company has been optimising the industrial structure and vigorously developing new coal chemical operations. The Company has gained extensive experience in coal conversion, and clean and efficient utilisation. The Company's facility operational efficiency and main econo-technical indicators have stayed ahead in the industry, with a distinct low-cost competitive advantage. By taking full superiorities of the professional expertise in coal mining equipment, the Company has diversified the product structure, strove to improve the quality of products and services to consolidate the market share and extend the industry value chains of coal.

(1) Coal Operations

1. Coal production

In 2018, the supply-side structural reform continued to push forward and the domestic economic development made steady progress. The production capacity utilisation rates of the coal industry were significantly improved, with coal prices fluctuating at a high level. The coal market gradually achieved a supply-demand balance and the profits of coal enterprises showed upward momentum. By seeking progress amid stability and focusing on high-quality development with a market-oriented and profit-centred approach, the Company made all efforts to organise coal production and marketing, so that the profitability of the coal business significantly increased. Pingshuo Company made all efforts to optimise production capacity of open-cast mines and achieved a record-high stripping volume, and took its advantages in intensive processing to continuously optimise product structure and stabilise coal production volume. Relocation of villages has made coordinated progress, which will provide solid support for the sustained production in the next few years. Shanghai Energy Company made plans ahead on production continuation and continued to optimise production systems to push forward technical profitability and raise unit output and unit road-heading level, and strove to achieve stable production and refined mining, increasing its profitability substantially on a year-on-year basis. China Coal Huajin Company scientifically planned its production to fully leverage efficient production capacity, which has delivered stable and orderly production and operation and lead to another record high in comprehensive benefit. Nalin River No. 2 Coal Mine and Muduchaideng Coal Mine of Northwest energy company were put into operation smoothly. By fully leveraging its industrial advantages as a 10-million-tonne class coal mine cluster, the company has steadily improved its coal washing and preparation techniques, production efficiency and production rate of clean coal. During the reporting period, the production volume of commercial coal of the Company reached 77.13 million tonnes, of which the production volume of thermal coal amounted to 68.22 million tonnes, and the production volume of coking coal amounted to 8.91 million tonnes.

Focusing on detection and treatment of potential safety hazards, the Company sustained high priority given to safety and made great efforts in taking 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 safe production during the year. The safe production standardisation was enhanced significantly, with 10 coal mines meeting the national first class standard.

The Company vigorously pushed forward innovation-driven development strategies so as to lower cost and improve efficiency for coal production via scientific innovation. The Company continued to raise unit output and unit road-heading level of its mines through wide adoption of new technologies and high-end equipment for coal mining. During the reporting period, the raw coal productivity was 32.03 tonnes per 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, perfected washing and preparation techniques to optimise product structure, and steadily improved the high-quality supply capacity to meet the diverse needs of customers.

2. *Coal sales*

In 2018, the Company strengthened the collaboration between production and sales and actively pushed forward the signing and fulfilling of mid- and long-term contracts to enhance its capacity in increasing market share. The Company also accurately grasped the pace of the market, optimised its market layout and improved its marketing system. Furthermore, the Company effectively enhanced its market supply capacity and thus the scale of coal sales continued to expand. During the reporting period, the Company achieved a total external sales volume of commercial coal of 155.65 million tonnes, representing a year-on-year increase of 21.3%.

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 year, the external sales volume of the proprietary coal trading was 75.22 million tonnes, representing a year-on-year increase of 61.6%.

Sales volume of commercial coal (10 thousand tonnes)		2018	2017 (Restated)	Change (%)
(I)	Domestic sales of self-produced coal	**7,379**	7,320	0.8
	By region: North China	**1,924**	2,041	-5.7
	East China	**3,320**	3,487	-4.8
	South China	**926**	918	0.9
	Others	**1,209**	874	38.3
	By coal type: Thermal coal	**6,504**	6,460	0.7
	Coking coal	**875**	860	1.7
(II)	Self-produced coal export	**6**	9	-33.3
	By region: Taiwan, China	**6**	9	-33.3
	By coal type: Thermal coal	**6**	9	-33.3
(III)	Proprietary trading	**7,522**	4,654	61.6
	Of which: Domestic resale	**7,467**	4,507	65.7
	Import trading	**28**	124	-77.4
	Self-operated exports	**27**	19	42.1
	Transit trading	**–**	4	–
(IV)	Agency sales	**658**	846	-22.2
	Of which: Import agency	**40**	115	-65.2
	Export agency	**238**	251	-5.2
	Domestic agency	**380**	480	-20.8
Total		**15,565**	12,829	21.3

Note: The sales volume of commercial coal represents the sales volume net of inter-segmental sales.

3. *Coal Reserve*

Major mining areas	**Resource reserve** (100 million tonnes)	**Recoverable reserve** (100 million tonnes)
Shanxi	77.58	41.96
Inner Mongolia-Shaanxi	141.81	89.90
Jiangsu	7.45	2.69
Xinjiang	6.56	3.67
Heilongjiang	3.08	1.36
Total	236.48	139.58

Coal type	**Resource reserve** (100 million tonnes)	**Recoverable reserve** (100 million tonnes)
Thermal coal	206.45	127.58
Coking coal	30.03	12.0
Total	236.48	139.58

During the year, the Company verified to increase the resource reserve by 378 million tonnes (the increase of reserve was from Libi Coal Mine of 320 million tonnes) and utilised 170 million tonnes of resource reserve. As at the end of 2018, the Company had coal resource reserve of 23.648 billion tonnes with mining rights and recoverable reserve of 13.958 billion tonnes in accordance with the mining standards of the PRC.

(2) Coal Chemical Operations

The Company continued to strengthen refined management of coal chemical production, continuously enhanced production techniques and strengthened production organisation. The Company's facility start-up level and main econo-technical indicators stayed ahead in the world. The Company vigorously promoted production differentiation and new product development, and consistently demonstrated its ability to lead the industry and its brand influence. Yulin Olefin Project strengthened production operation management, and stable operation rate and load rate hit record high levels, with an average daily polyolefin output exceeding 2,160 tonnes. Tuke Fertiliser Project strived for technological innovation and began the production of polyglntamic acid urea, further diversifying our product range. Mengda Engineering Plastics Project has maintained stable operation with high load ever since it formally began production last year, solidly pushing forward production differentiation and significantly increasing the benefit-making ability of high-end products.

Taking full advantage of the centralised sales of coal chemical products, the Company has increased its efforts in market development, accurately judged the market conditions, flexibly adjusted the pacing of sales, optimised the logistics guarantee system, and ensured smooth coordination between production and sales. The Company has innovated transportation modes, improved the front-end logistics layout of the market and reduced the cost of integrated logistics. The Company has paid close attention to the changes in the international and domestic markets, and has made timely adjustments to its marketing strategies, thus increasing its market share and the brand influence of China Coal Energy. During the reporting period, the accumulated sales volume of polyolefin was 1.467 million tonnes, and the sales volume of urea was 1.929 million tonnes. The Company expanded the scale of internal procurement and supply of methanol products by taking full advantage of the synergy of affiliated enterprises in different locations. The benefit-making ability of coal chemical products was further improved by fully utilising the synergistic effect of industry value chains.

Production and sales volume of coal chemical products (10 thousand tonnes)	**2018**	2017	Change (%)
(I) Polyolefin			
1. Production volume of polyethylene	**74.1**	49.8	48.8
Sales volume	**74.4**	50.0	48.8
2. Production volume of polypropylene	**71.9**	47.8	50.4
Sales volume	**72.3**	47.7	51.6
(II) Urea			
1. Production volume	**185.6**	199.6	-7.0
2. Sales volume	**192.9**	229.0	-15.8
(III) Methanol			
1. Production volume	**72.2**	62.5	15.5
2. Sales volume	**71.9**	71.9	0.0

Notes: 1. The polyolefin production and sales volumes in 2017 do not include those of Mengda Engineering Plastics Project in trial production.

2. The methanol production volume in 2018 includes the remaining volume of 104 thousand tonnes of the intermediate products from Shaanxi Company.

3. The methanol sales volume of the Company includes the internal consumption of the Company, which amounted to 644 thousand tonnes in 2018 and 586 thousand tonnes in 2017.

(3) Coal Mining Equipment Operations

Seizing the market opportunities from the gradual release of advanced production capacity of coal mines and the increase in demand of coal mining equipment, the Company optimised the sales strategies and continued to deliver strong performance in the high-end product market. During the reporting period, the accumulated trading amount of signed contracts increased by 27.6% on a year-on-year basis. The Company actively promoted transformation and upgrade and strove to increase the revenues of accessories, services, and non-coal products while consolidating its traditional principal businesses. The revenue generated from the non-coal business accounted for 23%. The Company further improved intelligent manufacturing levels and production efficiency, continuously promoted lean management, optimised the production process, and accelerated the progress of delivery in order to fully meet users' demands. During the reporting period, the Company achieved production value of coal mining equipment of RMB6.95 billion, representing a year-on-year increase of 34.4%. The total production volume of coal mining equipment was 319 thousand tonnes, representing a year-on-year increase of 22.9%, 15,139 units (sets) of which were major coal mining equipment, representing a year-on-year increase of 18.5%.

	Production value (RMB100 million)			**Operating revenue (RMB100 million)**	
Coal mining equipment	**2018**	2017	Change (%)	**2018**	Percentage of operating revenue of the coal mining equipment segment (%)
Main conveyor products	**32.5**	25.4	28.0	**31.8**	45.1
Main support products	**22.8**	13.8	65.2	**23.2**	32.9
Others	**14.2**	12.5	13.6	**15.5**	22.0
Total	**69.5**	51.7	34.4	**70.5**	–

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 value (revenue) of the related accessories and services. The revenue of others includes part of the trade revenue.

(4) Synergy among Business Segments

The Company fully capitalised on the advantages of industry value chains, stabilised its traditional principal businesses, optimised the layout of industry structure, and promoted the transformation and upgrade of enterprises to continuously enhance synergetic development among the business segments. During the reporting period, the power plants and chemical enterprises of the Company jointly promoted clean utilisation and conversion of coal, and consumed 4.59 million tonnes of self-produced low calorific value coal and engineering coal in total. The coal chemical projects in the regions of Inner Mongolia and Shaanxi exerted more efforts into local transformation of self-produced coal and purchased 2.14 million tonnes of coal from surrounding coal mines. The coal mining equipment business segment achieved internal product sales and services revenue of RMB870 million, representing 12.3% of the total sales revenue of the segment.

II. Analysis of Core Competitiveness

The Company's core business segments focus on coal, coal chemical, electricity and coal mining equipment. Leveraging on bases located in Shanxi, Inner Mongolia, Shaanxi, Jiangsu and Xinjiang, the Company is dedicated to becoming a world first-class clean energy supplier and an integrated energy service provider with global competitiveness.

The principal coal business of the Company has distinctive advantages with its leading technologies and techniques in coal mining, washing, preparation and blending in the industry. The production costs of the coal mines are lower than most of the coal enterprises in China. The Company boasts abundant coal resources. Mining areas in Pingshuo, Shanxi and Hujierte, Ordos of Inner Mongolia, primarily developed by the Company, are the important thermal coal production bases in the PRC. The coking coal resources in Xiangning Mining Area in Shanxi is of high quality with low sulphur and extra low phosphorus content. After acquiring SDIC Jincheng Energy Investment Co., Ltd. in 2018, the Company has increased the anthracite resources by 320 million tonnes. Meanwhile, the Company's coal key construction projects have achieved positive progress. Muduchaideng Coal Mine and Nalin River No.2 Coal Mine have been put into operation, and Xiaohuigou Coal Mine is ready for joint trial operation. Other projects such as Dahaize Coal Mine and Libi Coal Mine all progress steadily and orderly. It is the capable and efficient production mode, the scale merit of cluster development, and the high quality and abundant resources that constitute the core competitive advantages of the Company.

The Company focuses on coal power generation and coal chemical to continuously promote industrial structure optimisation, and strives to establish a new circular economic business line for coal, power, chemical, etc. In terms of coal chemical business, the Company's coal-based fertiliser project constructed in Inner Mongolia is the largest single urea plant project in the PRC, which has been put into operation and exported high quality granular urea overseas. The coal-based olefin project constructed in Shaanxi has set records in terms of the shortest construction and start-up period, compared with similar facilities in the PRC. The engineering plastics project constructed in Inner Mongolia has been put into operation and achieved stable operation with high load, and the products have been widely recognised by the market. Technological Transformation Project of Annual Methanol Output of 1 Million Tonnes from Synthetic Gas located in Inner Mongolia has officially commenced construction. In terms of coal-power business, the Company is vigorously pushing forward low calorific value coal and pit-mouth power generation projects. Unit#1 of the 2×350MW thermal power project in Shanghai Energy was successfully put into operation, while the 2×660MW Low Calorific Value Coal Power Generation Project in Pingshuo Company and the Project of the Second Power Plant 2×660MW located in the north of Wucai Bay, Zhundong, Xinjiang have progressed steadily, and are expected to be completed and put into operation in 2019.

The Company is one of the largest coal traders in the PRC with branches in major coal consumption regions, transshipment ports and major coal import regions. Capitalising on its constructed system of coal sales and logistics, well-established port service and high-calibre professional teams, the Company is able to provide customers with high quality services with excellent capabilities for market exploration and distribution.

The Company is the national and even the world's only large-scale energy enterprise, which is able to engage in manufacturing coal mining equipment, coal mining, washing, preparation and processing, logistics and transportation as well as provision of system solution, with the advantages of the whole industry value chain for coal business.

The Company insisted on innovation-driven growth and became the leader of the industry. The Company established equipment research institutes, constructed gas treatment centres as well as rock burst prevention and water control research centres in its mining areas, and witnessed a significant boost to its technology R&D capabilities. As a result, the Company has made major breakthroughs in a series of key technologies, achieved success in green coal mining, intelligent development and low-cost mining. The Company steadily advanced the development of new coal chemical products and established a solid foundation for enterprises to reduce their energy consumption and expand their market. The Company also aimed at smart, high-end and coal-free development for coal machinery equipment, meeting market demands as well as development needs of corporate transformation, and dramatically enhancing its corporate core competitiveness.

The Company adheres to the cultural concept of "harmony", continuously improves its management system and keeps providing an institutional environment for development and growth. The Company has established a sound management system and is gradually improving its internal control and legal risk control systems. The Company devotes major efforts to implement centralised management and control over sales of coal and coal chemical products as well as centralised management of finance, investment and material purchasing and enhances management by objectives and comprehensive budget management, significantly lowers the costs and increases the productivity and operating efficiency. By being committed to building the "harmony" cultural concept, creating "harmony" cultural atmosphere and promoting construction of the "harmony" culture of "respect and inclusion, trust and support, united minds and actions, harmonious development", the Company has established a good corporate image and concentrated cohesive staff.

In recent years, the Company has adhered to the established strategy and firmed the confidence of development, and its principal coal business has achieved scale development. The Company has expedited the extension of coal business to coal chemical and coal power generation areas, and has enhanced value-added capabilities of the overall industry value chain. The Company has promoted a shift of development model from a scale and speed-oriented extensive growth model to a quality and efficiency-focused intensive model. As a result, its core competitiveness has continuously improved. The Company has vigorously pushed forward quality enhancement, cost reduction and efficiency improvement so as to maintain a sound financial structure and enhance risk resistance capability, thus laying a solid foundation for sound and fast development of the Company in the new era.

III. Competitive Landscape in the Industry

In recent years, with the deepening of supply-side structural reform for coal, supply and demand of the coal market has been balanced on the whole, with coal consumption and supply increasing at the same pace. Users and port inventories have remained at a high level, while general price level has fluctuated within a reasonable range. Corporate efficiency has increased and operation status continued to improve. New progress has been made in industry structural adjustment, transformation and upgrading, leading to significant improvement in supply quality.

From the perspective of policy environment, the government focuses on guiding coal-power enterprises to enter into mid and long-term contracts and encourages the parties concerned to establish a stable and longer purchase and sales relationship, which would minimise volatility of future coal prices to a certain extent. From the perspective of the industry level, the revolution in energy production and consumption is gradually being pushed forward, with improved supply quality, rapid transformation of consumption structure, breakthroughs in technical innovation and progress in governance. From the perspective of coal enterprises, a better understanding on the supply-side structural reform has been obtained, and key coal enterprises have played leading roles in guaranteeing supply and stabilising coal price. With the orderly advancement of capacity replacement, reduction and restructuring, coal enterprises have been strengthening their efforts on reform and renovation transformation and upgrading. The resources of the coal industry are expected to accumulate among superior enterprises. Therefore, the concentration and specialisation of the industry will be gradually enhanced and the industrial structure will develop towards medium and high ends.

The principal coal business of the Company has distinctive advantages with its leading coal mining technologies, washing and preparation techniques, production efficiency, cost control and marketing network in the industry. For the past few years, the Company has tried its best to promote structural transformation and upgrading, so that the coal chemical business has expanded gradually, the product structure has become diversified and the market structure has been optimised continuously. In addition, the profitability has increased steadily and the control level of the coal chemical operations has reached a new level. In 2018, the Company kept abreast of market changes, organised production scientifically and spent more efforts on quality and productivity improvement. The operational quality was enhanced gradually and profit before income tax increased significantly. By leveraging on its own advantages, the Company will firmly advance structure adjustment so as to become a world leading clean energy supplier and integrated energy service provider with global competitiveness.

IV. Industry Development Trends of the Business of the Company

The year 2019 is a crucial year for completing the process of building a moderately well-off society in all aspects. China's economy will operate steadily amid changes and worries, and will be under downturn pressure due to intricate and complicated external environment. With accelerated release of high-quality coal production capacity, increasing railway transportation capacity and slowing growth of coal demand, domestic supply and demand of coal will shift from an overall balanced stage to a stage of easing in 2019. However, coal is still the main energy source of China, while economic growth will still drive the demand for coal. With adjustment of China's energy structure and the gradually emerging effects of long-term agreed pricing mechanism in the industry, significant volatility of coal prices is not expected to occur.

Improving the quality of the supply system is the fundamental guiding ideology for the future development of the coal industry. According to statistics of the China National Coal Association, the number of coal mines in China has been reduced from 10,800 in early 2015 to around 7,000 at present. The output of single pit has also been increased from 300 thousand tonnes per year to 500 thousand tonnes per year. In addition, over 1,200 large modern coal mines with an annual output of 1.2 million tonnes or above have been constructed throughout China. In the future, coal de-capacity will shift from aggregate de-capacity to systematic de-capacity and structural capacity optimisation, and the quality of domestic coal supply system is expected to improve steadily.

According to data from the National Bureau of Statistics, coal consumption still accounted for more than 60% of China's total energy consumption in 2018. The dominant position of coal being the main energy will remain unchanged in a long foreseeable future. However, with strengthening double energy control, decreasing domestic energy consumption, increasing proportion of clean energy consumption, stricter constraints on ecological and environmental protection and continuous improvement of social energy conservation, the growth of coal consumption demand will likely slow down gradually in the future. The long-term development of the coal industry will depend on improving the quality of production capacity and achieving transformation and upgrading.

The new coal chemical industry closely related to the coal industry has a good development prospect. The Chinese government has successively issued measures and policies, such as the "Three-year Action Plan for Winning the Battle of Blue Sky Protection" to strengthen environmental supervision, which will continuously push forward the supply-side reform of chemical fertilisers and traditional chemical industries, imposing a positive impact on the prices of products such as chemical fertilisers.

V. Production and Operation Plans of the Company in 2019

In 2018, firmly focusing on the annual production and operation targets, the Company reasonably organised production, strengthened coordination between production and sales, optimised product structure, enhanced product quality, vigorously reduced cost and improved efficiency, and strived to maintain the stable running of production and operations. The Company overcame difficulties, such as difficult organisation of coal production and coal chemical shutdown for overhaul, surpassed its annual production targets and completed its operation plans ahead of schedule, with a commercial coal output of 77.13 million tonnes; external sales volume of self-produced commercial coal of 73.85 million tonnes; polyolefin output of 1.46 million tonnes and polyolefin sales volume of 1.467 million tonnes; urea output of 1.856 million tonnes and urea sales volume of 1.929 million tonnes. The Company recorded an operating revenue of RMB104.14 billion, representing a year-on-year increase of 27.8%. The unit cost of sales of self-produced commercial coal amounted to RMB324.45/tonne, representing a year-on-year decrease of RMB4.93/tonne. The profit before income tax reached RMB10.007 billion, representing a year-on-year increase of RMB2.932 billion.

In 2019, the Company will adhere to the keynote of seeking progress in stability. In accordance with the requirements for high-quality development and following the work ideas of "quality improvement amid stability with reform and innovation", the Company will implement policies of consolidation, enhancement, improvement and smoothness, prevent and eliminate major risks and strive to improve profitability. According to the annual plan for 2019, on the premise that there will be no material changes to the markets, the production and sales volumes of self-produced commercial coal, polyolefin products and urea are planned to be 89.50 million tonnes, 1.39 million tonnes and 1.95 million tonnes respectively; the operating revenue will be striven to achieve a year-on-year increase of above 5%; the unit cost of sales of self-produced commercial coal will be controlled at the same level as in 2018. In addition, the Company will exercise strict control on expenses and make efforts to achieve stable profit increase. The Company will focus on the following tasks:

Firstly, the Company will scientifically organise production to ensure high yields and efficiency, with focus on promoting refined management to keep pushing forward quality growth of all business. The Company will continue to strengthen synergy establishment in marketing system, strive to explore markets, expand sales steadily and promote corporate capabilities in creating income and benefits.

Secondly, the Company will allocate and implement the production and safety responsibility, improve the safety guarantee capability, stress on-site safety management, and highlight safety control focuses in order to comprehensively improve the safety quality and resolutely ensure safe production.

Thirdly, the Company will strengthen management and control on budget execution, focus on cost and expense control and operating cash flow management, and comprehensively promote the operational quality.

Fourthly, the Company will strive to accelerate preliminary work of projects and firmly advance construction of key projects. Building on the advantages of industrial synergy and professional management, the Company will continue to promote structural adjustment, transformation and upgrading.

Fifthly, the Company will continue to deepen reforms of the enterprise and seize the opportunity of "Double-Hundred Action" to promote the establishment of a modern corporate system. The Company will also strengthen reform and execution of special projects, and will continue to deepen corporate reforms to reduce the burden and increase the vitality of the enterprise.

Sixthly, the Company will strengthen scientific and technical innovation, enhance high-tech R&D capacity and drive upgrade of traditional industry with focus on enhancing development momentum.

Seventhly, the Company will implement the Strategy of Developing Enterprise by Talent Management to strengthen talent team building and establishment of talent pool, continuously optimise the human resource structure and comprehensively improve the talent quality to enhance the Company's talent assurance.

Eighthly, the Company will adhere to the bottom-line thinking to effectively prevent and control investments and capital risks, promote the building of "Green China Coal" to prevent environmental risks, and strive to prevent and resolve other major risks to ensure the stable and healthy development of the Company.

However, imbalance and insufficiency of economic development remains as an issue, the coal market is uncertain and unstable factors still exist. Therefore, the actual implementation of the above operation plans may be subject to adjustments according to the actual circumstances of the Company. Thus, the operation plans disclosed herein would not constitute any commitment in results to investors by the Company. Investors should be informed and aware of risks in this connection.

SIGNIFICANT EVENTS

(1) Share Capital Structure

As at 31 December 2018, the structure of the share capital of the Company was as follows:

Unit: Share

Type of Shares	Number of Shares	Percentage (%)
A Shares	9,152,000,400	69.03
Of which: A Shares held by China Coal Group	7,605,207,608	57.36
H Shares	4,106,663,000	30.97
Of which: H Shares held by China Coal Hong Kong Limited, a wholly-owned subsidiary of China Coal Group	132,351,000	1.00
Total	13,258,663,400	100.00
Of which: Shares held by China Coal Group and parties acting in concert with it	7,737,558,608	58.36

(2) Distribution of Final Dividends for 2017

The Company's 2017 profit distribution plan was considered and approved at the Company's 2017 annual general meeting held on 25 June 2018. Cash dividend of RMB724,327,800 was 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 the Company prepared in accordance with PRC GAAP. Based on the total issued share capital of 13,258,663,400 shares of the Company, RMB0.055 (inclusive of tax) would be distributed per share.

These final dividends had been distributed to all the shareholders during the reporting period.

(3) Amendment to the Articles of Association and Rules of Procedures of the Board

The Articles of Association and the Rules of Procedures of the Board were not amended during the year.

(4) Transaction of Assets

During the reporting period, no material transaction of assets was made by the Company.

(5) Other Significant Events

1. Matters in relation to the Issuance of the Corporate Bonds of the Company

On 9 May 2018, the Company completed the public issuance of the 2018 first tranche corporate bonds, of which the issue amount of Series one is RMB1.1 billion with a term of five years (3+2) and an interest rate of 4.85%, and the issue amount of Series two is RMB400 million with a term of seven years (5+2) and an interest rate of 5.00%.

On 5 June 2018, the Company completed the public issuance of the 2018 second tranche corporate bonds, of which the issue amount of Series one is RMB1.7 billion with a term of five years (3+2) and an interest rate of 4.90%, and the issue amount of Series two is 0.

On 6 July 2018, the Company completed the public issuance of the 2018 third tranche corporate bonds, 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 RMB800 million with a term of seven years (5+2) and an interest rate of 4.89%.

On 26 July 2018, the Company completed the public issuance of the 2018 fourth tranche corporate bonds, of which the issue amount of Series one is RMB800 million with a term of five years (3+2) and an interest rate of 4.40%, and the issue amount of Series two is 0.

For details, please refer to the announcements of the Company published on the SSE Website, the HKSE Website and the Company Website on 10 May, 6 June, 9 July and 27 July in 2018.

2. **Matters in relation to Settlement of Short-term Financing Bonds by the Company**

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.

For details, please refer to the announcements of the Company published on the of SSE Website, the HKSE Website and the Company Website on 16 July 2018.

3. **Matters in relation to the Election of the Board and the Supervisory Committee of the Company**

On 23 October 2018, the first extraordinary general meeting for 2018 was convened, during which Li Yanjiang, Peng Yi and Niu Jianhua have been elected as the executive Directors of the fourth session of the Board of the Company, Du Ji'an, Zhao Rongzhe and Xu Qian have been elected as the non-executive Directors of the fourth session of the Board of the Company, Zhang Ke, Zhang Chengjie and Leung Chong Shun have been elected as the independent non-executive Directors of the fourth session of the Board of the Company, and Zhou Litao and Wang Wenzhang have been elected as the shareholder representative supervisor of the fourth session of the Supervisory Committee of the Company. During the employee representative meeting of the Company, Zhang Shaoping has been elected as the employee representative supervisor of the fourth session of the Supervisory Committee of the Company.

For details, please refer to the announcements of the Company published on the websites of SSE, HKSE and the Company on 23 October 2018.

4. **Matters in relation to the Election of Chairman, Vice Chairman and the Appointment of Senior Management of the Company**

On 23 October 2018, the first meeting of the fourth session of the Board of the Company in 2018 was convened, during which the Proposal on Election of Chairman of the Board of the Company, the Proposal on Election of Vice Chairman of the Board of the Company, the Proposal on Appointment of President and Senior Management of the Company and the Proposal on Appointment of Vice Presidents of the Company are approved; Li Yanjiang has been elected as the chairman of the fourth session of the Board of the Company, Peng Yi has been elected as the vice chairman of the fourth session of the Board of the Company, Niu Jianhua has been appointed as the president of the Company, Qi Hegang, Pu Jin, Ma Gang and Ni Jiayu have been appointed as vice presidents of the Company, Chai Qiaolin has been appointed as the chief financial officer of the Company, and Zhou Dongzhou has been appointed as the secretary to the Board and the company secretary of the Company.

For details, please refer to the announcements of the Company published on the SSE Website, the HKSE Website and the Company Website on 23 October 2018.

EMPLOYEE

As at 31 December 2018, the total number of employees in the Group is 42,194 (2017: 44,356).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company is committed to improving its corporate governance level. For the year ended 31 December 2018, the Company strictly complied with the provisions of Corporate Governance Code and Corporate Governance Report set out in appendix 14 of Hong Kong Listing Rules.

AUDIT AND RISK MANAGEMENT COMMITTEE

The audit and risk management committee of the Company has reviewed the annual results as at 31 December 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2018, the Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in appendix 10 of Hong Kong Listing Rules ("**Model Code**"). The Company confirmed after careful inquiry that all Directors and supervisors had been complying with the Model Code during the year ended 31 December 2018.

REMUNERATION OF DIRECTORS AND SUPERVISORS

For the year ended 31 December 2018, no Directors or supervisors of the Company had agreed to waive any remuneration.

The remuneration package of Directors is determined by the remuneration committee and is subject to approval by the Board and Shareholders at the forthcoming annual general meeting. To determine the remuneration package, the remuneration committee and the Board will take into consideration a number of factors, such as Directors' duties, responsibilities and performance as well as the operating results of the Group.

DIVIDENDS

On 15 March 2019, pursuant to the relevant PRC laws and regulations, the Board recommended the payment of cash dividends of RMB3,434,578,000 to the Shareholders, representing 30% of the net profit attributable to the equity holders of the Company for the year ended 31 December 2018, which was RMB1,030,373,400 as set out in the consolidated financial statements prepared in accordance with PRC GAAP. The proposed dividend distribution will be made based on the Company's entire issued share capital of 13,258,663,400 shares, representing a dividend of RMB0.078 per share (inclusive of tax). The above proposed profit distribution plan is subject to the approval of Shareholders at the 2018 annual general meeting. Cash dividends will be distributed to all Shareholders registered at the relevant record date upon approval.

Pursuant to the Enterprise Income Tax Law of the People's Republic of China which came into effect on 1 January 2008 and its implementing rules and other relevant rules, the Company is required to withhold enterprise income tax at a rate of 10% before distributing the final dividend to non-resident enterprise Shareholders whose names appear on the Company's H Share register of members. Any shares registered in the name of the non-individual registered Shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organisations, will be treated as being held by non-resident enterprise Shareholders and therefore an enterprise income tax shall be withheld for their dividends receivables.

Pursuant to The Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 issued by the State Administration of Taxation on 28 June 2011, the dividend received by the overseas resident individual Shareholders from the stocks issued by domestic non-foreign invested enterprises in Hong Kong is subject to individual income tax at a rate of 10% in general. However, the tax rates for respective overseas resident individual Shareholders may vary, depending on the relevant tax agreements between those countries where the overseas resident individual Shareholders reside and China.

An announcement containing information in relation to the latest registration date and the period of closure of share register for attending the 2018 annual general meeting of the Company (expected to be held before 30 June 2019) for receiving the final dividend for the year ended 31 December 2018, as well as the dividend distribution date (expected before 31 August 2019) will be published separately when the date of the 2018 annual general meeting of the Company is fixed.

Under relevant regulations of China Securities Depository and Clearing Corporation Limited Shanghai Branch and in line with the market practice regarding dividend distribution for A Shares, the Company will publish a separate announcement in respect of its dividend distribution to holders of A Shares after the Company's annual general meeting for 2018, which, among other things, will set out the record date and ex-rights date of dividend distribution for A Shares.

As at 31 December 2018, no arrangement was reached pursuant to which the Shareholders waived or agreed to waive their dividends.

PURCHASE, SALE OR REPURCHASE OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2018, the Company and its subsidiaries had not purchased, sold or repurchased any listed securities of the Company.

AUDITORS

Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) were appointed as overseas auditors and internal auditors of the Company for the year end of 31 December 2018. The former has reviewed the prepared financial statements of the Company in accordance with IFRS and provided suggestions without any retaining.

RELEASE OF ANNUAL REPORT ON HKEX WEBSITE

According to the provisions of Hong Kong Listing Rules on the reporting period, the Annual Report for 2018 will include all the information disclosed in the Result Announcement for 2018, and will be disclosed on the websites of the Company and HKEX on or prior to 30 April 2019.

DEFINITIONS

In this announcement, 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
Pingshuo Mining Area	the coal mining area in Shanxi Province, mainly comprising the Antaibao Open Pit Mine and Underground Mine, the Anjialing Open Pit Mine and Underground Mine, the Jingdong Mine and Pingshuo East Open Pit Mine
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 Xiaohuigou Coal Industry Company Limited
Mengda Engineering Plastics Project	Mengda New Energy Engineering Plastics Project
Northwest Energy Company	China Coal Northwest Energy Company Limited

Technological Transformation Project of Annual Methanol Output of 1 Million Tonnes from Synthetic Gas	the technological transformation project of annual methanol output of 1 million tonnes from synthetic gas of China Coal Ordos Energy Chemical Company Limited
Mengda Company	Inner Mongolia China Coal Mengda New Energy & Chemical Company Limited
Equipment Company	China National Coal Mining Equipment Company Limited
Pingshuo Company/ Pingshuo Group	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
HKSE	The Stock Exchange of Hong Kong Limited
HKSE Website	www.hkexnews.hk
SSE	the Shanghai Stock Exchange
SSE Website	www.sse.com.cn
Company Website	www.chinacoalenergy.com
Articles of Association	the articles of association passed at the inaugural meeting of the Company on 18 August 2006 and approved by the relevant state authorities, as amended and supplemented from time to time
A Share(s)	the ordinary share(s) issued to domestic investors in China with approval from CSRC, which are listed on the SSE and traded in RMB
H Share(s)	the overseas listed foreign share(s) of RMB1.00 each in the share capital of the Company, which are listed on the HKSE for subscription in Hong Kong dollars
Share(s)	the ordinary shares of the Company, including A Share(s) and H Share(s)
Shareholder(s)	the shareholder(s) of the Company, including holder(s) of A Shares and holder(s) of H Shares

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
Li Yanjiang
Chairman and Executive Director

Beijing, the PRC, 15 March 2019

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 Du Ji'an, Zhao Rongzhe and Xu Qian; and the independent non-executive directors of the Company are Zhang Ke, Zhang Chengjie, and Leung Chong Shun.

* *For identification purpose only*