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# CHINA COAL ENERGY COMPANY LIMITED\*

中國中煤能源股份有限公司

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

(Stock Code: 01898)

## FIRST QUARTERLY REPORT 2019

Pursuant to the regulations and rules of China Securities Regulatory Commission and Shanghai Stock Exchange (the "SSE"), China Coal Energy Company Limited (the "Company" or "China Coal Energy", together with its subsidiaries, collectively the "Group") is required to publish reports on a quarterly basis.

This announcement is made pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This announcement is a summary of the 2019 first quarterly financial report of the Company for the three months ended 31 March 2019. The full text of the quarterly financial report will be available on the website of The Stock Exchange of Hong Kong Limited (the "HKSE") on 23 April 2019. The full text of the quarterly financial report is in Chinese only.

### I. IMPORTANT NOTICE

1.1 The board of directors and the supervisory committee of the Company together with the directors, supervisors and the senior management thereof guarantee that the content of this quarterly report is true, accurate and complete and does not contain any false representations, misleading statements or material omissions, and severally and jointly accept legal responsibility for the content of this report.

1.2 Directors absent

Name of director absent	Position of director absent	Reasons for absence	Name of proxy
Leung Chong Shun	Independent director	Other work commitment	Zhang Ke

1.3 Li Yanjiang (the person-in-charge of the Company), Chai Qiaolin (the person-in-charge of accounting affairs) and Zheng Weili (the person responsible for the accounting department, i.e. head of the accounting department) guarantee that the financial statements set out in this quarterly report are true, accurate and complete.

1.4 The first quarterly report of the Company is unaudited.

## II. GENERAL INFORMATION OF THE COMPANY

### 2.1 Major financial data

Unit: RMB'000

	As at the end of the reporting period	As at the end of the previous year (Restated)	Increase/decrease at the end of the reporting period as compared to the end of the previous year (%)
Total assets	269,182,580	264,355,047	1.8
Net assets attributable to shareholders of the listed company	93,742,902	92,107,431	1.8
	From the beginning of the year to the end of the reporting period	From the beginning of the previous year to the end of the corresponding period of the previous year (Restated)	Increase/decrease compared to the corresponding period of the previous year (%)
Net cash flows generated from operating activities	4,133,840	832,103	396.8
	From the beginning of the year to the end of the reporting period	From the beginning of the previous year to the end of the corresponding period of the previous year (Restated)	Increase/decrease compared to the corresponding period of the previous year (%)
Operational revenue	29,552,412	25,955,736	13.9
Net profit attributable to shareholders of the listed company	1,541,065	1,391,746	10.7
Net profit attributable to shareholders of the listed company net of non-recurring gains or losses	1,529,700	1,386,999	10.3
Weighted average return on net assets (%)	1.66	1.53	Increased by 0.13 percentage point
Basic earnings per share (RMB per share)	0.116	0.105	10.5
Diluted earnings per share (RMB per share)	0.116	0.105	10.5

*Non-recurring gains or losses and relevant amounts*

√ Applicable    □ Not applicable

*Unit: RMB'000*

<b>Item</b>	<b>Amount for the reporting period</b>	<b>Explanations</b>
Profit and loss on disposal of non-current assets	280	—
Government grants included in profit or loss for the reporting period, excluding those closely related to the Company's ordinary business and granted on an on-going basis in fixed amount or volume according to certain principles under national policies	34,949	—
Net profit or loss for the period of subsidiaries formed by business combination under common control from the beginning of the period to the date of combination	-9,715	—
Other non-operating income and expenses apart from the foregoing	-3,161	—
Impact on minority shareholders' interests (after tax)	-5,108	—
Effect of income tax	-5,880	—
Total	11,365	—

## 2.2 Major production and operational data

Unit: RMB

Item	Unit	January to March, 2019	January to March, 2018 (Restated)	Percentage change %
<b>I. Coal operations</b>				
1. Production volume of commercial coal	10,000 tonnes	2,460	1,781	38.1
Of which: Thermal coal	10,000 tonnes	2,158	1,558	38.5
Coking coal	10,000 tonnes	302	223	35.4
2. Sales volume of commercial coal	10,000 tonnes	5,030	3,783	33.0
(1) Sales volume of self-produced coal	10,000 tonnes	2,382	1,666	43.0
Of which: external sales volume	10,000 tonnes	2,243	1,632	37.4
(2) Sales volume of proprietary coal trading	10,000 tonnes	2,429	2,040	19.1
Of which: external sales volume	10,000 tonnes	2,221	1,846	20.3
(3) Agency sales of coal	10,000 tonnes	219	77	184.4
<b>II. Coal chemical operations</b>				
(I) Polyolefin				
1. Polyethylene production volume	10,000 tonnes	18.3	18.3	0.0
Sales volume	10,000 tonnes	17.4	18.9	-7.9
2. Polypropylene production volume	10,000 tonnes	17.6	18.0	-2.2
Sales volume	10,000 tonnes	14.7	16.4	-10.4
(II) Urea				
1. Production volume	10,000 tonnes	48.0	46.1	4.1
2. Sales volume	10,000 tonnes	78.0	45.1	72.9
(III) Methanol				
1. Production volume	10,000 tonnes	25.0	14.2	76.1
2. Sales volume	10,000 tonnes	21.9	13.4	63.4
Of which: external sales volume	10,000 tonnes	5.2	1.8	188.9
<b>III. Coal mining equipment operations</b>				
1. Output value of coal mining equipment	RMB100 million	20.4	16.4	24.4

Note: The sales volume of commercial coal, urea and methanol of the Company in 2019 includes the internal self-consumption, and the relative data of 2018 is adjusted correspondingly.

## 2.3 Major differences arising from the adoption of different accounting standards in preparing the financial statements

Unit: RMB'000

	Net profit attributable to shareholders of the listed company		Net assets attributable to shareholders of the listed company	
	January to March, 2019	January to March, 2018 (Restated)	As at 31 March 2019	As at 31 December 2018 (Restated)
According to PRC GAAP	1,541,065	1,391,746	93,742,902	92,107,431
Items and amounts adjusted according to IAS:				
(a) Adjustment to special funds and deferred tax of the coal industry	139,894	297,761	5,000	28,680
(b) Adjustment to floating of non-tradable shares under equity split	-	-	-155,259	-155,259
(c) Adjustment to government grants	927	927	-28,753	-29,680
According to IAS	1,681,886	1,690,434	93,563,890	91,951,172

Explanations on major reconciliations are as follows:

- (a) Adjustment to special reserves and relevant deferred tax: special reserves comprise maintenance fee, safety fund, coal mine transformation fund, mining environmental restoration security deposit and sustainable development reserve. Under PRC GAAP, the Group should make provisions for the special reserves which will be accounted as the production cost and contributions made to the special reserves of equity attributable to shareholders. Non-capital expenditure incurred should be directly offset against special reserves upon occurrence, while capital expenditure incurred should be recorded as fixed assets upon completion, and offset against special reserves based on the cost of the fixed assets with accumulated depreciation fully recognised. After that, no subsequent provisions for depreciation would be made to the relevant fixed assets. Under IFRS, provisions made for the special reserves should be recorded as retained earnings provision while the relevant expenditures are recognised upon occurrence and the special reserves are accordingly transferred to retained earnings.
- (b) Under PRC GAAP, the consideration paid by holders of non-tradable shares to holders of tradable shares in accordance with the reform proposal of equity split should be recorded as long-term equity investments in the balance sheet. Under IFRS, such consideration shall be recorded as interests of minority shareholders directly deducted from the equity attributable to shareholders.
- (c) Under PRC GAAP, subsidies considered as capital investment by the government should be recorded in "capital reserve". Under IFRS, the subsidies mentioned above shall be treated as government grants.

**2.4 Total number of shareholders, top 10 shareholders and top 10 shareholders holding tradable shares (or shareholders not subject to trading moratorium) as at the end of the reporting period**

*Unit: Share*

Total number of shareholders		162,485				
Particulars of top 10 shareholders						
Name of shareholders (full name)	Number of shares held as at the end of the reporting period	Shareholding percentage (%)	Number of shares subject to trading moratorium	Shares pledged or frozen		Nature of shareholders
				Status	Number	
China National Coal Group Corporation	7,605,207,608	57.36	–	Nil	0	State-owned legal person
HKSCC NOMINEES LIMITED	3,952,679,893	29.81	–	Unknown	–	Foreign legal person
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	346,112,355	2.61	–	Nil	0	State-owned legal person
China Coal Hong Kong Limited (中煤能源香港有限公司)	132,351,000	1.00	–	Nil	0	Foreign legal person
Central Huijin Asset Management Company Limited (中央匯金資產管理有限責任公司)	83,035,400	0.63	–	Nil	0	State-owned legal person
Hong Kong Securities Clearing Company Limited	36,160,805	0.27	–	Nil	0	Domestic non-state-owned legal person
Xu Kaidong (徐開東)	27,260,000	0.21	–	Nil	0	Domestic natural person
Qingdao Conson Financial Holdings Co., Ltd. (青島國信金融控股有限公司)	15,493,917	0.12	–	Nil	0	State-owned legal person
China Construction Bank Corporation – New China Zeng Yi Debt Securities Investment Fund (中國建設銀行股份有限公司 – 新華增怡債券型證券投資基金)	10,338,307	0.08	–	Nil	0	Others
Hong Jianan (洪建安)	6,485,645	0.05	–	Nil	0	Domestic natural person

Particulars of top 10 shareholders not subject to trading moratorium			
Name of shareholders	Number of listed shares not subject to trading moratorium	Type and number of shares	
		Type	Number
China National Coal Group Corporation (中國中煤能源集團有限公司)	7,605,207,608	Ordinary shares denominated in RMB	7,605,207,608
HKSCC NOMINEES LIMITED	3,952,679,893	Overseas listed foreign shares	3,952,679,893
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	346,112,355	Ordinary shares denominated in RMB	346,112,355
China Coal Hong Kong Limited (中煤能源香港有限公司)	132,351,000	Overseas listed foreign shares	132,351,000
Central Huijin Asset Management Company Limited (中央匯金資產管理有限責任公司)	83,035,400	Ordinary shares denominated in RMB	83,035,400
Hong Kong Securities Clearing Company Limited	36,160,805	Ordinary shares denominated in RMB	36,160,805
Xu Kaidong (徐開東)	27,260,000	Ordinary shares denominated in RMB	27,260,000
Qingdao Conson Financial Holdings Co., Ltd. (青島國信金融控股有限公司)	15,493,917	Ordinary shares denominated in RMB	15,493,917
China Construction Bank Corporation – New China Zeng Yi Debt Securities Investment Fund (中國建設銀行股份有限公司 – 新華增怡債券型證券投資基金)	10,338,307	Ordinary shares denominated in RMB	10,338,307
Hong Jianan (洪建安)	6,485,645	Ordinary shares denominated in RMB	6,485,645
Explanations on affiliated relationship or parties acting in concert among the abovementioned shareholders	China Coal Hong Kong Limited (中煤能源香港有限公司) is a wholly-owned subsidiary of China National Coal Group Corporation (中國中煤能源集團有限公司), the controlling shareholder of the Company. It is not certain if any of the other shareholders are affiliated or acting in concert with each other.		
Explanations on preference shareholders with voting rights restored and the number of shares held	The Company does not have preference shares and has no preference shareholders with voting rights restored.		

*Notes:* The above tables of particulars of top 10 shareholders and particulars of top 10 shareholders not subject to trading moratorium are based on the followings:

1. The above information was prepared in accordance with the register of shareholders of the Company as at 31 March 2019 provided by the China Securities Depository and Clearing Corporation Limited Shanghai Branch and Computershare Hong Kong Investor Services Limited.
2. The A shares held by Hong Kong Securities Clearing Company Limited are held on behalf of various customers.
3. The H shares held by HKSCC Nominees Limited are held on behalf of various customers.

As at 31 March 2019, according to the disclosure of interests published on the website of HKSE, Funde Sino Life Insurance Co., Ltd. had long positions in 2,012,858,147 H shares of the Company.

## 2.5 Total number of holders of preference shares, top 10 holders of preference shares and top 10 holders of preference shares (not subject to trading moratorium) as at the end of the reporting period

Applicable  Not applicable

### III. SIGNIFICANT EVENTS

#### 3.1 Significant changes of the major accounting projects and financial indicators and the reasons thereof

Applicable    Not applicable

##### 3.1.1 Analysis on reasons for the major changes in items on the balance sheet

*Unit: RMB'000*

Items	As at 31 March 2019	As at 31 December 2018 (Restated)	Increase/decrease (%)	Major reasons for the changes
Trade and bills receivable	6,614,942	4,871,389	35.8	Mainly due to the increase in the trade receivables as a result of the increase in the Company's sales scale.
Other investments in equity instruments	2,326,057	4,563,851	-49.0	Mainly due to the fact that our investments in individual invested enterprises were changed from other investments in equity instruments to the long-term equity investments for accounting measurement in accordance with the relevant accounting standards.
Right-of-use assets	457,200	-	-	According to the newly revised "Accounting Standards for Business Enterprises No. 21-Leasing", the Company recognizes the right to use lease an asset over the life of a lease as the right-of-use asset.
Contract liabilities	1,522,018	2,478,903	-38.6	Mainly due to the corresponding decrease in contract liabilities as a result of the completion of the obligation to transfer goods in accordance with the contract.
Lease liability	463,088	-	-	According to the newly revised "Accounting Standards for Business Enterprises No. 21-Leasing", the Company recognizes the portion of the outstanding lease payments that was more than one year overdue as lease liability.



### 3.1.2 Analysis on reasons for the major changes in items on the income statement

Unit: RMB'000

Items	January to March 2019	January to March 2018 (Restated)	Increase/decrease (%)	Major reasons for the changes
Operating revenue	29,552,412	25,955,736	13.9	Mainly due to a year-on-year increase in sales of coal and other major products of the Company.
Operating cost	20,698,940	18,548,472	11.6	Same as above
Tax and surcharges	969,812	713,163	36.0	Mainly due to a year-on-year increase in the resource tax and additional taxes and fees as a result of the increase in sales revenue of self-produced commercial coal.
Selling expenses	3,182,771	2,462,749	29.2	Mainly due to the increase in freight as a result of the Company's expansion of sales scale
Finance costs	967,126	814,737	18.7	Mainly due to the corresponding interest expenses transferred from capitalization to expenditure capitalised as a result of some construction projects transferred to production.
Gains on investment	541,719	341,818	58.5	Mainly due to the increase in investment gains recognized by the Company in proportion to shareholding as a result of better economic benefits of equity investment companies.

### 3.1.3 Analysis on reasons for major changes in items on the cash flow statement

Unit: RMB'000

Items	January to March 2019	January to March 2018 (Restated)	Increase/decrease in amount	Major reasons for the changes
Net cash flows generated from operating activities	4,133,840	832,103	3,301,737	Mainly due to continuous improvement of operating performance and operating quality of the Company and further refinement of capital management resulting in year-on-year increase in net cash from operating activities.
Net cash flows generated from investment activities	-3,615,817	-2,268,007	-1,347,810	Cash outflow increased by RMB3.262 billion, the cash used for capital expenditure decreased by RMB1.017 billion, both on a year-on-year basis, mainly due to the change in time deposits with an initial deposit period of more than three months, and the combined effects of the year-on-year decrease in self-operated loan of RMB1.013 billion issued by China Coal Finance to members other than China Coal Energy.
Net cash flows generated from financing activities	2,592,285	-209,194	2,801,479	A year-on-year net increase of RMB2.873 billion in debt facility mainly due to the Company's application for long-term project loans for its key construction projects according to the construction progress and financing plan.

### 3.1.4 Sales revenue, cost and gross profit of coal operations

In the first quarter of 2019, the market prices of thermal coal went down, but benefiting from the optimization of industrial structure and deployment, the Company's advanced production capacity was gradually released, and the production and sales of self-produced coal continued to increase. The coal business achieved sales revenue of RMB22.954 billion, representing an increase of RMB2.732 billion as compared to RMB20.222 billion for the same period of 2018; the sales cost of coal business was RMB15.441 billion, representing an increase of RMB1.376 billion as compared to RMB14.065 billion for the same period of 2018; the gross profit of coal business was RMB7.513 billion, representing an increase of RMB1.356 billion as compared to RMB6.157 billion for the same period of 2018.

### 3.1.5 Coal sales volume and selling prices and the year-on-year changes

Currency: RMB

		January to March 2019		January to March 2018 (Restated)		Increase/decrease in amount		Increase/decrease	
		Sales volume (10,000 tonnes)	Selling price (RMB/tonne)	Sales volume (10,000 tonnes)	Selling price (RMB/tonne)	Sales volume (10,000 tonnes)	Selling price (RMB/tonne)	Sales volume (%)	Selling price (%)
I. Self-produced commercial coal	Total	2,382	502	1,666	538	716	-36	43.0	-6.7
	(I) Thermal coal	2,081	428	1,450	468	631	-40	43.5	-8.5
	1. Domestic sale	2,076	428	1,450	468	626	-40	43.2	-8.5
	2. Export	5	584	-	-	5	-	-	-
	(II) Coking coal	301	1,010	216	1,009	85	1	39.4	0.1
	1. Domestic sale	301	1,010	216	1,009	85	1	39.4	0.1
II. Proprietary coal trading	Total	2,429	452	2,040	552	389	-100	19.1	-18.1
	(I) Domestic resale	2,402	450	2,024	549	378	-99	18.7	-18.0
	(II) Self-operated exports*	7	1,143	7	1,556	-	-413	-	-26.5
	(III) Import trading	20	431	9	340	11	91	122.2	26.8
III. Import and export and domestic agency★	Total	219	4	77	8	142	-4	184.4	-50.0
	(I) Import agency	9	5	11	6	-2	-1	-18.2	-16.7
	(II) Export agency	48	8	66	8	-18	-	-27.3	-
	(III) Domestic agency	162	3	-	-	162	3	-	-

\* : Briquette export.

★: Selling price is agency service fee.

### 3.1.6 The unit cost of sales of self-produced commercial coal and the year-on-year changes

Unit: RMB/tonne Currency: RMB

Items	January to March 2019	January to March 2018	Year-on-year	
			Increase/ decrease in amount	Increase/ decrease (%)
Materials costs	56.91	49.47	7.44	15.0
Staff costs	32.48	35.35	-2.87	-8.1
Depreciation and amortisation	53.35	48.45	4.90	10.1
Repair expenses	10.83	14.89	-4.06	-27.3
Outsourcing mining engineering fee	32.22	18.27	13.95	76.4
Other costs	31.26	43.30	-12.04	-27.8
Unit cost of sales of self- produced commercial coal	217.05	209.73	7.32	3.5

For the period from January to March 2019, the Company's unit cost of sales of self-produced commercial coal was RMB217.05/tonne, representing an increase of RMB7.32/tonne or 3.5% as compared to RMB209.73/tonne for the same period of 2018.

The year-on-year increase in unit material costs of RMB7.44/tonne was mainly attributable to the progress of relocation made by coal producing enterprises of the Company as a result of land acquisition and more efforts put into the excavation of open pit mines and the excavation of underground mines by the Company based on the demand for continuation of production, resulting in a year-on-year increase in excavation footage and a year-on-year increase in material cost as more efforts were put in safety production.

The unit labour costs decreased year-on-year by RMB2.87/tonne, which was mainly attributable to the year-on-year increase in the production of self-produced commercial coal, which has diluted the labor cost per ton of coal.

The year-on-year increase in unit depreciation and amortisation costs of RMB4.90/tonne was mainly attributable to the transfer of the Company's coal mine infrastructure projects into production, resulting in the year-on-year increase in related depreciation and amortization costs.

The unit repair costs decreased year-on-year by RMB4.06/tonne, which was mainly attributable to a year-on-year increase in the production of self-produced commercial coal of the Company which has diluted the repair expenses per ton of coal.

The unit outsourcing mining engineering fee increased year-on-year by RMB13.95/tonne, which was mainly attributable to the progress of relocation made by coal producing enterprises of the Company as a result of land acquisition and more efforts put into the excavation of open pit mines and the excavation of underground mines by the Company based on the demand for continuation of production, resulting in a year-on-year increase in the volume of outsourcing mining engineering.

The unit other costs decreased year-on-year by RMB12.04/tonne, which was mainly attributable to the year-on-year increase in current period's provision for special reserves used by coal producing enterprises in accordance with the production plan.

### 3.1.7 Year-on-year changes in sales volume and price of major chemical products

Currency: RMB

	January to March 2019		January to March 2018		Increase/decrease in amount		Increase/decrease in percentage	
	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	32.1	7,643	35.3	7,965	-3.2	-322	-9.1	-4.0
1. Polyethylene	17.4	7,621	18.9	8,188	-1.5	-567	-7.9	-6.9
2. Polypropylene	14.7	7,669	16.4	7,709	-1.7	-40	-10.4	-0.5
(II) Urea	78.0	1,820	45.1	1,858	32.9	-38	72.9	-2.0
(III) Methanol	21.9	1,547	13.4	2,110	8.5	-563	63.4	-26.7
Of which: Intra-segment self-consumption volume ◆	16.7	1,502	11.6	2,062	5.1	-560	44.0	-27.2
External sales	5.2	1,693	1.8	2,422	3.4	-729	188.9	-30.1

◆: Intra-segment self-consumption volume refers to the methanol supplied by China Coal Yuanxing and Shaanxi Company to Mengda Chemical Company.

### 3.1.8 Unit cost of sales of major chemical products and year-on-year changes

Unit: RMB/tonne Currency: RMB

Items	January to March 2019	January to March 2018	Year-on-year	
			Increase/ decrease in amount	Increase/ decrease in percentage
(I) Polyolefin	5,502	6,176	-674	-10.9
1. Polyethylene	5,587	6,147	-560	-9.1
2. Polypropylene	5,402	6,210	-808	-13.0
(II) Urea	1,078	984	94	9.6
(III) Methanol	1,364	1,715	-351	-20.5

### 3.2 Analysis and explanation on the progress of significant events and their impacts and solutions

Applicable     Not applicable

### 3.3 Undertakings not yet fully performed during the reporting period

Applicable     Not applicable

### 3.4 Warning in respect of possible loss or any significant changes in aggregate net profit from beginning of the year until the end of the next reporting period as compared with that of the corresponding period of the previous year and the reasons thereof

Applicable     Not applicable

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

Beijing, the PRC, 23 April 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.*

*This English language version is provided for reference purpose only. In the event of any inconsistency between the English and the Chinese version, the Chinese version shall prevail.*

\* For identification purpose only