年度報告

Annual Report 2018

中国中煤能源股份有限公司

CHINA COAL ENERGY COMPANY LIMITED

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

Stock Code : 01898

Contents

Note: In this report, unless otherwise indicated, all financial indicators are presented in RMB.

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 report 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 openingup. 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.

Chairman's Statement

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!

Chairman's Statement

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.

Li Yanjiang
Chairman

Beijing, the PRC
15 March 2019

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	

Management Discussion and Analysis of Financial Conditions and Operating Results

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 segment

- *Revenue*

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

For the 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%.

Management Discussion and Analysis of Financial Conditions and Operating Results

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 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	
		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) Transshipment 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.

Management Discussion and Analysis of Financial Conditions and Operating Results

- *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 RMB1.476 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 (%)
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 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.

Management Discussion and Analysis of Financial Conditions and Operating Results

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 for credit impairment for receivables, 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.

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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, 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.

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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, details of corporate bonds issued by the Group are set as follows. During the reporting period, the Group issued corporate bonds of RMB7.0 billion.

	Corporate bonds						
Disclosures	17 China Coal 01	18 China Coal 01	18 China Coal 02	18 China Coal 03	18 China Coal 05	18 China Coal 06	18 China Coal 07
1. Reason for issue	To meet the needs of production and operation, and further optimize the debt structure.	To meet the needs of production and operation, and further optimize the debt structure.	To meet the needs of production and operation, and further optimize the debt structure.	To meet the needs of production and operation, and further optimize the debt structure.	To meet the needs of production and operation, and further optimize the debt structure.	To meet the needs of production and operation, and further optimize the debt structure.	To meet the needs of production and operation, and further optimize the debt structure.
2. Type of issue	Public issue	Public issue	Public issue	Public issue	Public issue	Public issue	Public issue
3. Book value	RMB100	RMB100	RMB100	RMB100	RMB100	RMB100	RMB100
4. Issue scale	RMB1 billion	RMB1.1 billion	RMB400 million	RMB1.7 billion	RMB2.2 billion	RMB800 million	RMB800 million
5. Total proceeds raised after deducting the issuance expenses	RMB997 million	RMB1.097 billion	RMB399 million	RMB1.695 billion	RMB2.193 billion	RMB798 million	RMB798 million
6. Issue object	Qualified investor	Qualified investor	Qualified investor	Qualified investor	Qualified investor	Qualified investor	Qualified investor
7. Details of the use of proceeds including:							
(1) a detailed breakdown and description of the proceeds for each issue and the purposes for which they are used during the financial year	All the proceeds net of issuance expenses were used to repay the Company's due short-term financing bonds.	All the proceeds net of issuance fees were used to replenish the working capital of the Company headquarters and subsidiaries and repay due bank loans.	All the proceeds net of issuance fees were used to replenish the working capital of the Company headquarters and subsidiaries and repay due bank loans.	All the proceeds net of issuance fees were used to repay the Company and its subsidiaries' due bank loans.	All the proceeds net of issuance fees were used to repay the due short-term financing bonds.	All the proceeds net of issuance fees were used to repay the due short-term financing bonds.	All the proceeds net of issuance fees were used to repay the issuer's due bank loans.
(2) If there is any amount not yet utilized, a detailed breakdown and description of the intended use of the proceeds for each issue and the purposes for which they are used	–	–	–	–	–	–	–
(3) Whether the proceeds were used, or are proposed to be used, according to the intentions previously disclosed by the issuer	Yes	Yes	Yes	Yes	Yes	Yes	Yes

XI. OPERATIONAL RISKS

For details of the operational risks, please refer to the section "Directors' Report" in this report.

Management Discussion and Analysis of Financial Conditions and Operating Results

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.

Unit: 10 thousand
Currency: RMB

The Company's external guarantees (excluding guarantees for subsidiaries)												
Guarantor	**Relationship between guarantor and listed company**	**Guarantee**	**Guaranteed amount**	**Date of execution of guarantee (the date of signing agreement)**	**Commencement date of guarantee**	**Expiry date of guarantee**	**Type of the guarantee**	**Completed or not**	**Overdue or not**	**Overdue amount**	**Counter guarantee available or not**	**Provided to the related party or not**	**Connected party relationship**
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	2,050	28 March 2008	28 March 2008	20 December 2022	Joint and several liability	No	No	–	No	No	Other
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	15,825.5	28 March 2008	28 March 2008	20 December 2023	Joint and several liability	No	No	–	No	No	Other
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	9,981.1	28 March 2008	28 March 2008	20 December 2023	Joint and several liability	No	No	–	No	No	Other
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	2,750	21 November 2012	21 November 2012	20 November 2027	Joint and several liability	No	No	–	No	No	Other
China Coal Energy Company Limited	Company headquarters	Taiyuan Coal Gasification Longquan Energy Development Company Limited	2,000	29 October 2012	29 October 2012	31 January 2021	Joint and several liability	No	No	–	No	No	Other
China Coal Energy Company Limited	Company headquarters	Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited	166,397.31	28 April 2013	28 April 2013	28 April 2025	Joint and several liability	No	No	–	Yes	No	Other
China Coal Energy Company Limited	Company headquarters	Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited	9,525	19 December 2018	19 December 2018	18 December 2035	Joint and several liability	No	No	–	Yes	No	Other
China Coal Energy Company Limited	Company headquarters	Zhongtian Synergetic Energy Company Limited	1,216,788.75	25 May 2016	25 May 2016	As per agreement	Joint and several liability	No	No	–	No	Yes	Associates
Shanghai Datun Energy Resources Company Limited	Controlling subsidiary	Fengpei Railway Company Limited	1,347.78	21 November 2013	21 November 2013	20 April 2024	Joint and several liability	No	No	–	Yes	No	Other
China Coal Shaanxi Yulin Energy & Chemical Company Limited	Wholly-owned subsidiary	Yan'an Hecaogou Coal Company Limited	5,000	28 November 2015	29 November 2015	1 September 2025	Joint and several liability	No	No	–	Yes	No	Other
China Coal Shaanxi Yulin Energy & Chemical Company Limited	Wholly-owned subsidiary	Yan'an Hec-aogou Coal Company Limited	24,850	22 February 2018	26 February 2018	2 February 2025	Joint and several liability	No	No	–	Yes	No	Other
China Coal Shaanxi Yulin Energy & Chemical Company Limited	Wholly-owned subsidiary	Shanxi Jingshen Railway Company Limited	18,280	26 July 2018	26 July 2018	25 July 2045	Joint and several liability	No	No	–	Yes	No	Other
Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)													-177,425.24
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)													1,474,795.44
guarantee provided by the Company and subsidiaries to its subsidiaries													
Total guarantee to subsidiaries incurred during the reporting period													-113,594.09
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)													557,425.84
total guarantee of the Company (including those to subsidiaries)													
Total guarantee (A+B)													2,032,221.28
Percentage of total guarantee to net assets of the Company (%)													22.1
Of which:													
Amount of guarantee provided to shareholders, de facto controllers and related parties (C)													–
Amount of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio of over 70% (D)													2,000
Excess amount of total guarantee over 50% of net assets (E)													–
Total amount of the above three categories (C+D+E)													2,000
Explanations on the possible joint and several liabilities for liquidation in respect of the outstanding guarantee													–
Explanations on the guarantee													–

(2) Environmental protection responsibilities

Environmental protection laws and regulations have been fully implemented in China. 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.

XIII. OTHER EVENTS

(1) Entrusted Loans

Unit: RMB10 thousand

Balance of entrusted loans at the beginning of the period	Amount incurred from entrusted loans for the current period	Actual amount of principal recovered from entrusted loans	Balance of entrusted loans at the end of the period
40,200	–	40,200	–

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%.

Business Performance

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*

Unit: RMB100 million tonnes

Major mining areas	Resource reserve	Recoverable reserve
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

Unit: RMB100 million tonnes

Coal type	Resource reserve	Recoverable reserve
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 polyglutamic 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%.

Coal mining equipment	Production value (RMB100 million) 2018	2017	Change (%)	Operating revenue (RMB100 million) 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 1.460 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.

VI. ENVIRONMENTAL POLICIES AND PERFORMANCE

On the basis of following Xi Jinping’s Thoughts on Ecological Civilization, the Company diligently followed national laws, regulations and policies on resources conservation and environmental protection, and consciously practices the core vision of green development. The Company has also insisted on green-oriented strategies, relied on green technology, been led by green culture, and exerted great efforts on green mining, clean utilisation and efficient conversion of coal. The Company has continued to optimise the industrial structure and vigorously pursue scientific exploration, efficient use of resources, clean production techniques and ecological environment protection in the mining areas to comprehensively construct a “Green China Coal”.

Promoting green coal development. The Company has established a safe and highly efficient green mining technology system and promoted various green mining technologies such as preserving water resources while mining, mining without coal pillars, mining without roadways, "short charge and long mining" and co-mining of coal and gas, where possible based on the specific conditions, to achieve exploiting coal resources to its fullest extent. The Company has also pursued zero transportation out of the underground and zero emissions of gangue, further improved the processing capacities of raw coal, and effectively reduced the ash content and sulphur content of coal to provide the society with premium clean energy. Moreover, the Company has actively developed circular economy in the mining areas, vigorously carried out coal gangue power generation, underground backfilling, subsidence area treatment and land reclamation, comprehensive utilisation of mining water, mining gas and associated resources supplied by the coal system, and construction of green mines with high standards to achieve win-win harmony between the local area and enterprises. In 2018, the Company's recovery rate of mining area of coal mine, integrated energy consumption of raw coal production, comprehensive utilisation rate of mining water, and integrated utilisation rate of coal gangue continued to keep ahead in the industry.

Building new advanced coal chemical projects. In accordance with the principles of clean efficiency, water measuring, construction along coal mines, and concentrated development, the Company has adopted the most advanced coal gasification technology as well as energy conservation and environmental protection standards, to vigorously develop a new form of coal chemical industry with highly efficient conversion, energy and water conservation, and ultra-low emissions, effectively improving coal-based polygeneration levels and added value of products. The unit consumption in coal to olefin products has maintained a leading position in China, while the unit consumption in methanol to olefin process in DMTO equipment has reached an advanced level within the industry. By scientifically planning the utilization of water resources in mining areas located in the Ordos region, the Company has complete recycle of regional mining water as a resource with zero emissions and reuse of coal-chemicals, which became a unique feature of China Coal.

Developing clean and green electricity. In accordance with the principles of pit-mouth project establishment, clean and efficient utilisation, recycling and concentrated development, combined with the conditions of resources within the mining area, environmental capacity, and delivery channels, the Company has adopted the most advanced power-saving, water-saving and environmentally-friendly power generation techniques to construct large-scale mine-mouth coal-fired power plants and low-calorific value coal power plants, significantly increasing the on-site transforming ratio of coal and achieving integrated and synergetic development of coal and power integration. The Company has actively promoted comprehensive upgrade on energy conservation and emission reduction and the modification for ultralow emission at coal-fired power plants. All generating units above 135MW of the Company's power plants have achieved ultra-low emission, and the emissions of major pollutants such as soot, sulfur dioxide and nitrogen oxides have been greatly reduced.

Promoting the manufacturing of green coal mining machinery. The Company adheres to its technological innovation and technical cooperation, focused on promoting the integration of information and industrial technologies, actively promoted large-scale, high-end and smart coal machinery equipment and continuously strengthened its technology assets and product research and development, and in turn procured the localisation of advanced technical equipment and internationalisation of critical technical equipment. The Company has actively adopted advanced manufacturing technologies such as digital manufacturing, high-speed cutting and rapid prototyping to actively promote intelligent coal mining robots, complete sets of technical equipment for mining without coal pillar, and rapid excavation supporting techniques. The Company also continues to optimise and improve manufacturing techniques to further reduce material consumption, energy consumption, water consumption and emissions of major pollutants, with a focus on establishing a brand of green coal machinery featuring high efficiency, environmental protection and low consumption.

VII. COMPLIANCE WITH LAWS AND REGULATIONS

During the reporting period, the Company did not fail to comply with relevant laws and regulations which might have a significant impact on its business.

With respect to its operations, the Company is subject to various laws and regulations, including the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Contract Law of the People's Republic of China, the Property Law of the People's Republic of China, the Coal Industry Law of the People's Republic of China, the Environmental Protection Law of the People's Republic of China, the Circular Economy Promotion Law of the People's Republic of China, the Law of the People's Republic of China on Evaluation of Environmental Effects, the Law of the People's Republic of China on Promoting Clean Production, etc., as well as other applicable laws and regulations, policies and normative legal documents issued pursuant to or related to such laws and regulations, for example, Guidance on Establishing Independent Directors System in Listed Companies and Provisions on Strengthening the Protection of the Rights and Interests of Public Shareholders. The Group has formulated a series of rules and regulations such as the Articles of Associations, the Rules of Procedures of Shareholders' General Meetings and the Rules of Procedures of the Board of Directors to ensure compliance with applicable laws, regulations and normative legal documents, especially those that may have a significant impact on its main operations. If there are any changes in the applicable laws, regulations and normative legal documents related to the main operations, the Group will revise the relevant rules and regulations in a timely manner according to the Company's actual conditions and inform the related staffs and operations teams.

In addition, the provisions of other relevant laws and regulations may also apply to the Company, for example, the Labour Law of the People's Republic of China, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Guidelines of the Shanghai Stock Exchange on Connected Transactions of Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies Ordinance (Chapter 622), etc. The Company is dedicated to ensuring compliance with such provisions through internal monitoring and approval procedures, training and supervision of different operating segments and other measures.

VIII. RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

Committed to realising the sustainable development target of "optimising the comprehensive value of economy, society and environment", the Group deeply implemented a strategy for harmonious development, continually creating value for employees and customers and maintaining good relationship with suppliers. The Group understands deeply that the development of employees is the key assurance of sustainable development of the Company. Realisation and enhancement of their value would enable the achievement of the Group's overall target. Therefore, suggestions and opinions of our staffs and staff representatives are heard by the Group via various channels, such as the employees' representative conference, employee satisfaction surveys and forums, etc., which enable the Group to offer occupation training, better working environment and conditions, and provide long-term career prospects correspondingly. The Group attaches high importance to suppliers selection, and intends to establish a long-term partnership with high-quality suppliers who will be selected through open tendering or working conferences at arm's length for mutual benefit. In order to strengthen the Group's core competitiveness, the Group upholds a "customer-centric, market-oriented" marketing concept, and keeps itself informed of customers' needs instantly through service hotline, after-sale service, seminars and regular visits, thus providing quality and personalised products and services to customers. For the year ended 31 December 2018, the Group did not have any substantial or significant disputes with its suppliers and/or clients.

Capital Expenditure

I. PERFORMANCE OF CAPITAL EXPENDITURE BUDGETED FOR 2018

(1) Capital Expenditure

In 2018, the Company's capital expenditure budget closely focused on four major business segments, namely coal, coal chemical, power generation and coal mining equipment, and consisted of four categories, namely infrastructure projects, procurement and maintenance of fixed assets, equity investment and other capital expenditures. The total capital expenditure budgeted for 2018 was RMB16.300 billion, of which RMB12.898 billion or 79.13% was invested during the reporting period.

Performance of Capital Expenditure Budgeted for 2018 (By Item)

Unit: RMB100 million

Items of capital expenditure	**Actual investment in 2018**	Budgeted investment in 2018	Investment ratio (%)
Total	**128.98**	163.00	79.13
Infrastructure projects	**91.34**	121.08	75.44
Procurement and maintenance of fixed assets	**12.18**	15.86	76.80
Equity investment	**24.48**	22.43	109.14
Other capital expenditures	**0.98**	3.63	27.00

Performance of Capital Expenditure Budgeted for 2018 (By Business Segment)

Unit: RMB100 million

Business segment	**Actual investment in 2018**	Budgeted investment in 2018	Investment ratio (%)
Total	**128.98**	163.00	79.13
Coal	**76.15**	93.61	81.35
Coal chemical	**8.34**	14.73	56.62
Power generation	**42.08**	51.39	81.88
Coal mining equipment	**2.03**	2.67	76.03
Other	**0.38**	0.60	63.33

(2) Progress of Key Projects

With a total investment of RMB3.698 billion, Shanxi Xiaohuigou Coal Mine project will build a 3 million tonnes/year coal mine. In 2018, the investment was RMB525 million, with the cumulative investment of RMB2.607 billion. The project has been granted approval and has obtained mining rights licenses. The project construction goes on smoothly currently and is expected to receive completion acceptance in 2019.

With a total investment of RMB12.979 billion, Dahaize Coal Mine and auxiliary coal preparation plant project will build a 15 million tonnes/year coal mine and an auxiliary coal preparation plant. In 2018, the investment was RMB212 million, with the cumulative investment of RMB3.655 billion. The project has been granted approval and has obtained mining rights licenses.

With a total investment of RMB5.746 billion, Libi Coal Mine and auxiliary coal preparation plant project will build a 4 million tonnes/year coal mine and an auxiliary coal preparation plant. In 2018, the investment was RMB351 million, with the cumulative investment of RMB753 million. The project has been granted approval and has obtained mining rights licenses.

With a total investment of RMB6.773 billion, the new Pingshuo Company 2×660MW low calorific value coal power project will have a generating capacity of 2×660MW. In 2018, the investment was RMB1.178 billion, with cumulative investment totaling RMB3.685 billion. The project has been granted approval. The project construction goes on well currently. The two generation sets are expected to begin trial operation in 2019.

With a total investment of RMB4.725 billion, the project of Second Power Plant located in the north of Wucai Bay, Zhundong, Xinjiang will have a generating capacity of 2×660MW. In 2018, the investment was RMB1.729 billion, with the cumulative investment of RMB4.162 billion. The project has been granted approval. The project construction goes on well currently. The two generation sets are expected to begin trial operation in 2019.

With a total investment of RMB3.377 billion, the Shanghai Energy Company 2×350MW thermal power project will have a generating capacity of 2×350MW. In 2018, the investment was RMB1.119 billion, with the cumulative investment of RMB2.781 billion. The project has been granted approval. The project construction goes on well currently. Generation set I has been put into operation, while generation set II is expected to begin trial operation in the first half of 2019.

With a total investment of RMB5.013 billion, the technological transformation of synthetic gas to methanol project of Ordos Energy Chemical Company will bring in new capacities of methanol output of 1 million tonnes/year. In 2018, the investment was RMB541 million, with cumulative investment amounting to RMB543 million. The project filing was completed and its construction has officially commenced since October 2018.

II. ARRANGEMENT FOR CAPITAL EXPENDITURE IN 2019

The Company will continue to adhere to the overall working principles of "quality improvement amid stability with reform and innovation" with respect to its capital expenditure plan in 2019. Furthermore, the Company will pay close attention to economic situation and industry development trends, closely focus on structural adjustment as well as transformation and upgrading, and promoted quality development. Considering the current balance sheet, financial position and financing capability, the Company directed its investment primarily to coal, coal chemical and power generation industries in accordance with the principles of "equal focus on supplier and service provider, avoiding over-spending, delivering services, observing laws and regulations" and made stringent and tightened arrangements.

Capital Expenditure

The Company's capital expenditure budgeted for 2019 is RMB14.610 billion, representing a decrease of RMB1.690 billion or 10.37% compared with that of 2018. Out of the capital expenditure budget stated above, RMB11.419 billion will be invested in infrastructure projects; RMB2.720 billion will be invested in the procurement of fixed assets, small scale construction, renovation and maintenance; RMB267 million will be utilised in equity investment; and RMB203 million will be used in other capital expenditures.

Capital expenditure budget by business segment:

Unit: RMB100 million

Business segment	**Budgeted investment in 2019**	Actual investment in 2018	Increase/decrease in capital expenditure budget in 2019 compared with actual investment in 2018 (%)	Percentage of total (%)
Total	**146.10**	128.98	13.27	100.00
Coal	**94.35**	76.15	23.90	64.58
Coal chemical	**27.76**	8.34	232.85	19.00
Power generation	**21.60**	42.08	-48.67	14.78
Coal mining equipment	**2.04**	2.03	0.49	1.40
Other	**0.36**	0.38	-5.26	0.24

The major equity investment projects in 2019 include payment for integrating local coal mines in Pingshuo East Open Pit Mine, acquisition of equity interest in Jingshen Railway and capital injection to the Second Power Plant located in the north of Wucai Bay in Zhundong.

In 2019, the Company will arrange reasonable scale and pace of financing according to the needs of production and operation, and the budgeted capital expenditure. Detailed arrangements will be made with reference to the actual conditions of the Company.

According to the development objectives and plan of the Company, the budgeted capital expenditure may be subject to changes in line with the Company's business development (including potential acquisitions), the progress of the investment projects, the change in market conditions and the status of obtaining the required government approvals and regulatory documents. The Company will make disclosures in a timely manner in accordance with the requirements of the regulatory authorities and the stock exchanges.

III. CORPORATE DEVELOPMENT STRATEGY

Under the new normal of national economic and energy development, the Company, as a state-owned enterprise, will proactively take on the mission of strong growth and optimisation with the spirit of the 19th National Congress as guidance. The Company will adhere to the direction of deepening supply-side structural reform and high-quality development, continue to follow the general work principle of "making progress while ensuring stability" and uphold the strategy of being "a clean energy supplier and an integrated energy service provider" with a view to incorporate the new ideas, new concepts and new demands of the new era, giving new meaning to development strategies and ideas, as well as highlighting priorities and compensating for shortcomings. On the basis of continuously pushing forward stable growth and development, core competitiveness will be enhanced throughout the Company, which will actively drive the Company towards a development direction towards higher quality, higher profitability, higher efficiency, larger scale and a more dynamic and safer development.

Strategic Vision: The Company will aim to build up its position as a clean energy supplier and an integrated energy service provider with relatively strong international competitiveness. The Company will also strive to become a leader in green and safe production, a fugleman of clean and highly-efficient utilisation and a practitioner of providing high quality services, and to maximise the interests of enterprise and the employees, the Shareholders and the society.

Development Ideas: According to strategic demands of being "a clean energy supplier and an integrated energy service provider and focusing on quality and efficiency, the Company will strive to establish a new circular economic business model for coal, power and chemical, and to build a new pattern for co-ordinated regional development featuring "full function, customised differentiation and complementary advantages" to correctly deal with the critical relationships between short-term and long-term, reform and stability, as well as management control and vitality. The Company is committed to taking forward 5 key tasks which include safety and stability, quality and efficiency improvement, transforming and upgrading, reforming and adjusting, as well as consolidating the foundation. The Company will actively implement the 5 key development concepts of innovation, coordination, green, openness and sharing.

Coal Industry: The Company will focus on promoting clean and efficient development of coal business. The Company will vigorously promote the construction of integrated projects of coal, power generation and chemical to enhance the coal production efficiency, to increase the on-site transforming ratio of coal and to highlight the advantage of scale and intensive development. By leveraging elements including the richness of coal resources, market location and environmental capacity, the Company will develope the large-scale coal bases in Inner Mongolia-Shaanxi and Shanxi, etc. with differentiation so as to realise the transformation from scale-and-speed-oriented mode to quality-and-efficiency-oriented mode.

Coal Chemical Industry: The Company will adopt the most advanced coal gasification technology and energy saving and environmental protection standard to focus on constructing the large-scale coal chemical bases in Inner Mongolia-Shaanxi and Shanxi, etc. The Company will steadily promote the upgrading model projects of coal-based new materials, chemical fertiliser and new energy and strictly control the energy consumption, water consumption and emission of pollutants, so as to cluster the project, expand the production scale and refine the products. The Company will increase the standard of multi-production by coal bases and added-value of coal-based products so as to realise the transformation from traditional coal chemical to modern refined coal chemical.

Capital Expenditure

Power Generation Industry: Focusing on the nine 10-million-kilowatts large-scale coal power generation bases in Ordos, north Shanxi, north Shaanxi and Zhundong, etc., and integrating with the resources, environmental capacity and power transmission channels in the coal mining areas, the Company will adopt the most advanced power-saving, water-saving and environmentally-friendly power generation techniques and focus on constructing the large-scale mine mouth coal fired power plants and low calorific value coal power plants in Shanxi, Xinjiang and Jiangsu, etc., so as to enhance the value chain of the coal power generation industry and to achieve integrated and synergetic development of coal and power generation.

Equipment Manufacturing Industry: By grasping the strategic opportunity of international resource cooperation and reacting to the "Made-in-China 2025" Strategic Plan, the Company will deepen the reform on the management system and adhere to its technological innovation and technical cooperation. Besides, the Company will also focus on boosting in-depth integration of equipment manufacturing with new information technology including IOT, big data and cloud computing, etc. The Company will vigorously promote big scale, high-end and smart equipment manufacturing, strengthen its technology reserve and research and development of products and in turn procure the localisation of leading technology and equipment and the internalization of significant technology and equipment in respect of coal mines. The Company will seek to speed up the equipment manufacturing in a move to make transformation from a production-oriented mode into production-and-service-oriented mode and to position itself as an equipment manufacturing service provider with relatively strong international competitiveness.

Development Goal: The Company will strengthen and optimise major business segments through internal growth and external expansion. The Company will increase the scale of operation and profitability each year to gradually form a development pattern with significant economies of scale of major business segments, significant synergetic effect of industries and stronger capabilities in sustainable development and risk resistance, which will lay down a solid foundation for the Company to become a globally-competitive world-class clean energy supplier and an integrated energy service provider.

Technological Innovations

In 2018, technological innovations of China Coal Energy closely followed the development orientation of "safety, economy, eco-friendly and intelligent systems" and focused on the strategy of being "a clean energy supplier and an integrated energy service provider" and the transformation of the enterprises. The innovations have accelerated research and development (R&D) as well as breakthroughs of key technologies and pushed forward upgrades of "mass entrepreneurship and innovation", which led to multiple key technological breakthroughs. Such innovations have also elevated overall efficiency to another new level and made new contributions to the assurance of corporate safety, quality and efficiency enhancement, and innovative development.

I. ADHERE TO INNOVATION-DRIVEN GROWTH AND BUILD NEW MOMENTUM FOR DEVELOPMENT

1. The Company has made breakthroughs in the development of key technologies and significantly enhanced its core competitiveness. The developed coal mining technology for underground coal mines without entry roadway preliminarily established a safe, highly-efficient and green coal mining technology system and laid a sound foundation for the trans-formation of excavation technology. The completed rapid excavation technology in deep coal roadways in the Inner Mongolia-Shaanxi region formed the new theoretical base and a high-strength support technology as well as a rapid excavation technology, which achieved the objective of a unit roadheading level with more than one thousand meters. The technology has increased the productivity of a single shift by 49.5% and reduced the cost of support per meter by 15.25%. China Coal Energy was able to self-research, self-develop and self-innovate a complete set of technologies and equipment for rapid excavation under challenging circumstances, and thus has been leading the development of the industry. The research and application of the key 100-million-tonne class technology in the Inner Mongolia-Shaanxi mining area made contribution to safe construction and operation of 10-million-tonne class mine clusters. The developed rock burst prevention technology for complicated structures helped the creation of a multiple-source-information monitoring and alert technology system for rock burst in the Datun mining area and provided a technological assurance for safe mining in deep mines. With completed research on gas control technology in gas-rich coal mines, gas prevention technologies and an assessment system that ensure safety of excavation in gas-rich coal mines are established, and coal mining safety is secured. The developed industrial preparation technology for high-concentration coal water slurry has increased the concentration of the pulping of gasified coal slurry by 4 to 6 percentage points. With the completed DMTO technology that reduces unit consumption of methanol, the Company's unit consumption in methanol to olefin process was in the leading position in the industry.

2. The development of new products was proven to be highly successful and significantly raised the Company's resilience to market risk. The Company made important breakthroughs in self-developing the complete set of ultra-cutting height intelligent equipment with an annual output of over 15 million tonnes,which has the world's largest installed power, excavation height and excavation capacity which takes an international leading position in technological areas including coal amount monitoring, variable-frequency soft start and speed regulation, automated crushing of blocks of coal and intelligent control, and which was successfully applied to large coal companies in China. The complete set of 3×1600 intelligent armoured face conveyors produced 63,000 tonnes of coal per day, setting a new record in the industry while the first domestic 8-metre mining height coal shearer developed by the Company has been put into trial use. The ancillary conveying equipment for mining with-out coal pillars completed its trial excavation, and a prototype of an intelligent frequency-motor armoured face conveyer was successfully developed. New products of the Company such as intelligent roadheaders, all-condition track mining cabins used in declines and mine entry roadway repair machinery successfully met market demands. The development of new polyolefin products also made significant progresses, with 8 new polyethylene product grades and 10 new poly-propylene product grades developed. Three ranges of density from low, medium to high were covered, and forms of homo polymerized, random and anti-impact were applied by the Company, and the market competitiveness of those above new products were significantly boosted.

3. Thanks to new industrial technology systems, the Company is gathering greater momentum for inner corporate development. The Company centered on improving industry-leading technological competitiveness, with an emphasis on centralized and systematic technological breakthroughs to support and lead innovative developments in the industry as well as to accelerate the shift in growth drivers within the Company. By summarizing, categorizing, integrating, innovating and enhancing existing technologies, accurately capturing the technological development trends in the industry, and fully leveraging the synergetic advantages in its well-established coal industry value chains, the Company built advanced coal mining technology systems that focus on technical areas such as excavation automation, system control and management intelligence. The Company was thus able to boost its systematic innovation capabilities and led the optimization and upgrade of the coal industry. The Company also strove to integrate systematic innovation of multiple technologies including three-dimensional mine modelling, system centralization, disaster prevention and management intelligence, and has achieved initial success with the construction of national premium grade safe and highly efficient coal mines. The coal chemical enterprises have constructed a centralized coal chemical technology system through collective technological breakthroughs in the integration of advanced technologies that feature "safe, stable, long-term, full and high-quality" operation, construction and application of intelligent factories, development of high-end products with differentiation, as well as pollution control technologies. This guaranteed the safety, high efficiency and continuous production of the coal chemical industry and kept our overall technological level and economic-technical indicators ahead of other industries in the country.

Technological Innovations

II. CONSTANTLY ENHANCING INNOVATION CAPABILITIES TO SUPPORT HIGH-QUALITY DEVELOPMENT OF THE COMPANY

1. Expediting construction of research institutions and significantly improving innovation capacities. In 2018, the Company further strengthened the construction of research institutions in order to enhance innovation capabilities. Following the formal establishment and listing of China Coal Equipment Research Institute (中煤裝備研究院), the Company set up Gas Research Control Center (瓦斯研究治理中心) and Flood Prevention and Water Control Research Center (防沖控水研究中心) in its mining areas, and thus, the capabilities in technical R&D and technology services have been steadily improving. The Company preliminarily formed a trinity innovation mode combining technical R&D of coal business, process innovation and engineering technology services as a whole. The construction of R&D institutions at the company level achieved a substantial breakthrough which further improved the independent innovation capability of the Company. The Company obtained a substantial improvement in overall innovation efficiency with the integration of independent innovation, collaborative innovation and mass technical innovation.

2. Strengthening and upgrading "mass entrepreneurship and innovation" and constantly improving innovation environment. The Company systematically promoted the "mass entrepreneurship and innovation" works in three levels: key technology R&D of research institutions, production line technology R&D of grassroots innovation studios and innovation result transformation of "mass entrepreneurship and innovation" demonstration base, under guidelines of ensuring production safety, promoting quality and efficiency improvement, and supporting transformation and upgrade. The Company preliminarily formed a unique "mass entrepreneurship and innovation" mode of China Coal Energy of practical innovation, platform incubation, base demonstration and industry promotion, featuring integration of innovation, entrepreneurship and benefit-making. The Company adhered to realize its role as a leading player in "mass entrepreneur-ship and innovation" to ensure the differentiation of one company one project with respect to "mass entrepreneurship and innovation". Approval has been received for the construction of two "mass entrepreneurship and innovation" demonstration bases of China Coal Huajin Company and China Coal Shaanxi Company which led to a comprehensive layout of "mass entrepreneurship and innovation" bases covering the strategy of being "a clean energy supplier and an integrated energy service provider". For production enterprises, the Company followed the mode of "technical and skill leadership+ employee engagement + innovation and efficiency + experience inheritance + online and offline" with an aim to improving professional innovation capabilities. The establishment of multi-level innovation studios for the country, the industry, the Group and the enterprise has been launched to create platforms for employee makers to gain a foothold in their on-the-job innovation. Currently, a total of 108 innovation studios have been established and contributed to nearly one thousand outstanding "mass entrepreneurship and innovation" projects which are technologically advanced, simple and useful, effectively applicable and of high promotion value, laying a solid foundation for technological breakthroughs in production processes.

   In 2018, the Company was granted 21 industrial technology progress awards and 155 patents. As a result, the capabilities of supporting industry development with the Company's core technologies continued to improve.

Investor Relations

In 2018, under the principle of "openness, fairness and impartiality", China Coal Energy made careful decisions of good timing and took advantage of the trend. China Coal Energy kept timely and sufficient communications with its domestic and overseas investors as well as industry analysts through various channels including presentations of results, non-deal road-shows, investment forums, routine visits and telephone conferences, and held 89 investor meetings of various kinds with 907 attendees in total. These activities included 20 presentations of annual results and road-show meetings, quarterly report and interim result telephone conferences with 454 attendees, 52 day-to-day receptions of investor visits and telephone conferences with 227 attendees, and 16 investment forums organised by domestic and overseas securities firms with 17 meetings attracting 226 attendees.

The first is persevering in strengthening investor relations. The Company paid great attention to the investor relation management. The Management attended the press conference and presentation of 2017 H Shares annual results in person, delivered a detailed briefing about the latest business results of the Company to the media and coal industry analysts, patiently and carefully answered the relevant questions, and saw positive effects of communication. After the press conferences on corporate results, the Company held non-deal road-shows, visited important Shareholders and potential institutional investors, discussed with them on key issues including the domestic macro economy and the trend of coal industry, which helped to deepen the their understanding of the Company. The Company held routine telephone briefings for holders of A Shares and H Shares, respectively upon the release of the 2018 first quarterly report, interim report and third quarterly report, introduced the Company's production and operation situations to online investors at home and abroad, and responded to their main concerns on time and efficiently.

The second is strengthening interaction and building a smooth communication channel. The Company adhered to the practice of receiving investors on every Tuesday and Thursday, arranged the reception of investor's on-site visits, answered visitors' queries earnestly and candidly and carefully explained the operation situation, development prospects and future plans of the Company, which greatly enhanced the investors' understanding of the Company. The Company actively participated in various investment forums held by investment banks and securities companies at home and abroad, communicated with numerous investors in various modes including one-to-one and one-to-many communications with respect to, among others, the national macroeconomic trend, industry development outlook and corporate operational fundamentals in order to continuously improve the transparency of the Company.

The third is serving minority investors enthusiastically and earnestly. Investor relations column which has been established on the Company's website not only provides statutory information disclosure contents such as annual reports, interim reports, quarterly reports and announcements of major events of the Company, but also voluntarily discloses monthly productive and operational data so as to satisfy the needs of investors as much as possible. Through the E-interactive Platform of the Shanghai Stock Exchange, the Company continued to respond to the public about their questions related to the Company's development strategies, business operations, etc., which amounted to a total of 77 questions, and strived to uplift the coverage and effectiveness of the communication with investors. The Company also appointed dedicated staff to answer the calls from the investor hotline and to deal with emails and faxes, provided minority investors with timely reply to over 450 inquiries, so as to effectively safeguard their rights to know. The Shareholders' general meeting adopted internet voting, and the Company elects directors and supervisors through cumulative voting, which further protected the right of participation and voting of the minority investors in the important matters of the Company.

Investor Relations

The fourth is dynamic monitoring, and focusing on feedback from capital market. On the basis of building up extensive communication with investors, the Company focused on enhancing the dynamic tracking of share price valuation, analysts' reports and media comments, while tracing and analysing hot topics in the capital market, and advising the Company's management with the responses of the capital market in a timely manner to facilitate their decision-making. The Company earnestly organised the Q&A session in the Shareholders' general meeting so that the voices of minority Shareholders were heard and Shareholders' opinions and suggestions could be adopted reasonably. Following the disclosure of the Company's results, the Company carried out investor surveys, actively enquired the views and comments of coal industry analysts on the Company's operation results, information disclosure and investor relations management, and solicited suggestions from the capital market for the Company's business development.

Looking back, the Company has taken solid steps so far. Looking forward, the Company is greatly confident. China Coal Energy will continue to improve its investor relations management mechanism, further enhance the quality of investor communication, and look forward to obtaining more support and attention from investors.

Safety, Health, Environmental Protection and Social Responsibility

I. SAFETY PRODUCTION

In 2018, the Company strictly complied with the national regulatory requirements on production safety by enhancing safety management, reinforcing safety fundamentals, strengthening risk control and highlighting sound accountability. As a result, its production safety undertakings have proven to be very successful, and production safety was truly realised.

Firstly, further implementing safety accountability. The safety management system was fully implemented as the Company has thoroughly formulated safety accountability assessment measures and safety assessments were carried out at all levels. Relevant units reformed their production safety responsibility systems with regard to a total of more than 1,700 positions and had the responsibility systems incorporated into safety training programme. The awareness of safety responsibility was thus raised. The Company formulated safety control and assurance management schemes which linked safety responsibility to the personnel responsible for safety control and assurance. There were 18 mines (factories) whose safety responsibility was taken by relevant business executives, with over 200 sub-units undertaken by relevant mine (factory) executives. A monthly meeting was held to analyse the progress of safety control and assurance. The executives regularly attended safety workshops organised by safety control and assurance authorities, which substantially helped the realisation of safety control and assurance responsibilities of these authorities.

Secondly, constantly enhancing safety guarantee capability. In order to promote the establishment of safety-assured enterprises, the Company held onsite meetings in Datun Company to promote standardisation, which have served as the guiding standards. Ten coal mines have gained the status as National First-Class Safety Production Standardisation Coal Mines (國家一級安全生產標準化煤礦). The "four directions" was accelerated through the vigorous implementation of replacing and reducing human workforce with mechanisation and with automation. The Company also actively promoted "one optimisation and three reduction" approach to further optimise and simplify the eco-systems of coal mines. Four mines, including Wangjialing Coal Mine of Huajin Company and others, have initiated the construction of intelligent mechanization. The Yulin camp base for National Hazardous Chemicals Emergency Rescue has passed acceptance inspection. The construction of national coal mine emergency rescue bases has been fully launched.

Thirdly, strengthening on-site management and control capabilities. Each unit highlighted safety inspection of the key areas, critical parts and key points, thus ensuring uninterrupted on-site safety inspection. In addition to daily inspection, the Company carried out safety inspection for special occasions such as Spring Festival, the National People's Congress and the Chinese Political Consultative Conference, and National Day, as well as special inspections such as "one ventilation and three preventions", water prevention and rock and ceiling burst prevention, achieving an all-round safety inspection. The Company established a three-level consultation mechanism and carried out over 1,200 business consultations, insisting on the combination of business consultations and treatment of potential safety hazards to effectively control safety risks.

Fourthly, deepening the establishment of safety culture. The Company staged a string of unique activities including "March Safety Warnings", "Production Safety Month" and "100-day Safety" to promote lectures on organization levels and conducted large lectures, "micro-classes" and "team-classes" to reach all working teams. The Company held youth safety work meetings and engaged the youth to get involved in safety management practices. The safety awareness of all staff was further enhanced through all the aforementioned activities.

II. OCCUPATIONAL HEALTH

Adhering persistently to the philosophy of "safety first and harmonious development", the Company fulfilled its occupational health responsibilities. The Company also improved and refined the occupational health management system to regulate the daily management of the Company. The Company consistently carried out occupational health control in a thorough manner by regularly monitoring the hazards that lead to occupational diseases and announce the results on spot to materialise protection of employees' interest. The Company is committed to the implementation of an integrated control system for healthy and safe production, to simultaneously deploy, promote, examine and assess occupational health and safe production.

III. ENVIRONMENTAL PROTECTION

In 2018, the Company resolutely implemented President Xi Jinping's ecological civilisation philosophy, realised the deployment of the major decisions by the Central Committee of the Party regarding the building of an ecological civilisation and thoroughly implemented the state laws and regulations on ecological and environmental protection. Abiding by the belief of "Green China Coal", the Company strove to promote green coal development and the clean and efficient utilisation of coal. The Company also relentlessly enhanced its ecological and environmental management, control of potential environmental dangers and risks and the rectification of protracted environmental issues, spared no effort in fighting the battle of pollution prevention. Ecological and environmental protection has driven the transformation and upgrade of the Company's traditional businesses and further enhanced its green development capability. The emissions of sulfur dioxide, nitrogen oxide, COD and ammonia nitrogen realised a year-on-year decrease for 3 consecutive years, with no environmental emergency of major scales or above throughout the year. Nine mines were named as National Level Green Mine Pilot Unit, and 6 enterprises were awarded Advanced Enterprise of Energy Conservation and Emission Reduction in Coal Industry. Also, the ecological construction of the coal mining areas of Pingshuo Group was granted the "2018 Environmentally and Socially Responsible Enterprise Award" (2018年度環保社會責任企業獎).

Firstly, enhancing the construction of ecological and environmental control system. In accordance with the work principle of "control enhancing, problem solving, rectification strengthening, risk controlling", affiliated enterprises have improved and refined their organisational management, survey and monitoring and assessment reward and punishment systems. They have also enhanced the professional management of environmental issues so as to continuously replenish the staff in the management institutions in the four-level organisation, namely "headquarters, subordinate enterprise, mine (factory) and sub-unit (workshop)". A system for regular meetings on environmental issues is strictly implemented in order to develop or amend relevant systems such as the environmental management of construction projects, the assessment, reward and punishment with regard to environmental protection efforts and management of environmental emergency response measures. The Company's affiliated enterprises which are the major pollutant-dischargers have installed online monitoring equipment for waste water and waste gas in accordance with the requirements of local governments. A number of our enterprises have installed environmental monitoring stations and have the capability to carry out self-monitoring of their emissions independently.

Secondly, fully investigating and rectifying ecological and environmental problems. The Company has carried out a systematic investigation on all the existing sources of pollution and risks in the Company, with a focus on its affiliated enterprises in areas such as air, water, soil, solid waste, hazardous waste, fundamental management, etc., and implemented management using parameters and checklists to supervise and rectify detected problems.

Thirdly, strengthening the management and control on the entire process of construction projects. During the initial stage of projects, the Company strictly checked the quality of the environmental impact assessments and strengthened project feasibility as well as launched reviews on environmental protection content to ensure project constructions were in compliance with laws and requirements. During project constructions, the Company strictly followed requirements on the obtainment of environmental impact assessment approvals and implemented environmental protection measures. Environmental protection facilities were constructed based on the requirement of “three simultaneous” to strengthen trial production and management of acceptance inspection on environmental protection, implement a permission system for pollution discharge, and ensure timely application for pollution discharge permits upon completion and operation of projects. During production and operation, the Company has kept its potential environmental risks under fundamental control by thoroughly carrying out checks and rectifications on environmental protection risks and potential dangers.

Fourthly, sparing no efforts in fighting the battle of pollution prevention. The Company strove to promote the environmental protection reconstruction projects, completing the renovation of generating units with total installed capacity of 640 MW and ultra-low emission during the year, so as to reconstruct the coal-fired boilers for environmental protection purposes or replace them with clean energy. Generating units of 135MW and above in the power plants of the Company have all achieved the target of ultra-low emission. Companies located in the Beijing-Tianjin-Hebei region and its peripheries as well as Fenwei Plain (汾渭平原) have completed the mission of staying “emission neutral” for their small coal-fired boilers. The Company has improved on its management and effective consumption of waste water and built a recycling system for water resources of Ordos Energy Chemical Company featuring “Filtering wastewater in the mine, carrying out wastewater treatment on the ground, recycling the wastewater of coal chemical treatment and recovering salt from brine through crystallisation” to achieve zero emission of mine water and full recycling with coal chemical treatment. The Company proactively promoted the full closure and reconstruction of the coal storage area and accelerated the treatment for VOCs. The Company carried out the demonstration project for ecological restoration and treatment of coal gangue dumping sites with high standards, aiming to effectively improve the level of ecological treatment and achieve a win-win situation between local communities and the Company.

IV. SOCIAL RESPONSIBILITY

Details of social responsibilities are set out in the Social Responsibility Report published by the Company on the HKSE Website, the SSE Website and the Company Website.

Directors, Supervisors, Senior Management and Employees

I. GENERAL INFORMATION ON DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Unit: Share

Name	Position held (Notes)	Gender	Age	Effective date of appointment	Termination date of appointment	Shareholding at the beginning of the year	Shareholding at the end of the year	Changes in shareholding during the year	Reasons of change	Total remuneration before tax received from the Company during the reporting period (RMB ten thousand)	Whether receiving remuneration from related parties of the Company during the reporting period
Li Yanjiang	Chairman, Executive Director	Male	61	October 2018	October 2021	0	0	0	–	0	Yes
Peng Yi	Vice Chairman, Executive Director	Male	56	October 2018	October 2021	0	0	0	–	0	Yes
Du Ji'an	Non-executive Director	Male	57	October 2018	October 2021	0	0	0	–	0	Yes
★Niu Jianhua	Executive Director, President	Male	56	October 2018	October 2021	0	0	0	–	7.38	Yes
Zhao Rongzhe	Non-executive Director	Male	53	October 2018	October 2021	0	0	0	–	0	Yes
Xu Qian	Non-executive Director	Male	38	October 2018	October 2021	0	0	0	–	0	Yes
Zhang Ke	Independent Non-executive Director	Male	65	October 2018	October 2021	0	0	0	–	30	No
Zhang Chengjie	Independent Non-executive Director	Male	65	October 2018	October 2021	0	0	0	–	30	No
Leung Chong Shun	Independent Non-executive Director	Male	53	October 2018	October 2021	0	0	0	–	30	No
▲Liu Zhiyong	Non-executive Director	Male	61	June 2015	October 2018	0	0	0	–	0	No
▲Xiang Xujia	Non-executive Director	Male	49	June 2015	October 2018	0	0	0	–	0	Yes
Zhou Litao	Shareholder Representative Supervisor	Male	58	October 2018	October 2021	0	0	0	–	0	Yes
Wang Wenzhang	Shareholder Representative Supervisor	Male	54	October 2018	October 2021	0	0	0	–	67.84	No
◆Zhang Shaoping	Employee Representative Supervisor	Male	54	October 2018	October 2021	0	0	0	–	82.80	No
◆Qi Hegang	Vice President	Male	60	October 2018	March 2019	0	0	0	–	84.89	No
◆Pu Jin	Vice President	Male	58	October 2018	October 2021	0	0	0	–	90.51	No
◆Chai Qiaolin	Chief Financial Officer	Male	50	October 2018	October 2021	0	0	0	–	70.41	No
◆Ma Gang	Vice President	Male	49	October 2018	March 2019	0	0	0	–	102.38	No
◆Ni Jiayu	Vice President	Male	47	October 2018	October 2021	0	0	0	–	71.48	No
◆Zhou Dongzhou	Secretary to the Board and Company Secretary	Male	60	October 2018	March 2019	0	0	0	–	83.29	No
Total	/	/	/	/	/				/	750.98	/

Notes:
1. The remunerations of the above Directors, Supervisors and senior management are calculated based on the period during which they hold office.
2. The remunerations during the reporting period presented are the remunerations of Directors, Supervisors and senior management received from the Company.
3. ▲Mr. Liu Zhiyong and Mr. Xiang Xujia resigned in October 2018 due to expiry of term of office.
4. ◆The percentage of the performance-based salary paid for the current period was 70% (including the deferred performance-based salary in the previous year).
5. ★All the salaries received were deferred performance-based salaries.

Directors, Supervisors, Senior Management and Employees

During the reporting period, the Company had three executive Directors, three non-executive Directors and three independent non-executive Directors. Other than the working relationship in the Company, there was no any other relationship between any of the Directors, Supervisors or senior management of the Company in respect of finance, business and family or in other material aspects. The Company has received an annual confirmation letter from each of the independent non-executive Directors with regard to their independence. As at the date of this report, the Company considers that all the independent non-executive Directors are independent pursuant to the Hong Kong Listing Rules.

II. MAJOR WORKING EXPERIENCE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

1. **Li Yanjiang**, born in 1957, is the Executive Director and Chairman of the Fourth Session of the Board of the Company and Secretary of Party Committee of the Company. He currently serves as the Chairman of the Board and Secretary of Party Committee of China Coal Group as well as the Vice President of the Fifth Session of the Board of China National Coal Association. Mr. Li graduated from Fu Xin Mining Institute with a Bachelor's Degree and obtained the title of Researcher in January 1982. He served as the General Manager of China Coal International Economic and Technical Cooperation Corporation, the Chairman of the board of directors, General Manager and Deputy Secretary of Party Committee of China Coal Construction Group Corporation, the Director General of the Plan and Development Department of State Administration of Coal Industry, Director and the General Manager of China National Coal Industry Import and Export Group Corporation, the Secretary of Party Committee and the Vice President of China Coal Research Institute, the Chairman of the board of directors, Secretary of Party Committee and General Manager of China Foma (Group) Co., Ltd. as well as the Secretary of Party Committee and a Director of China National Machinery Industry Corporation, the Vice Chairman of the board of directors and the General Manager of China Coal Group, Chairman of the Third Session of the Board of the Company and other positions. Mr. Li has long been engaged in areas of production, operation and management of coal enterprises, and has strong background in coal industry and extensive experience in corporate operation and management.

2. **Peng Yi**, born in 1962, is the Executive Director and Vice Chairman of the Fourth Session of the Board of the Company and the Deputy Secretary of Party Committee of the Company. He currently serves as a Director, the General Manager and the Deputy Secretary of Party Committee of China Coal Group, Vice Chairman of Guoyuanshidai Coal Asset Management Company Limited and Chairman of Zhongtian Synergetic Energy Company Limited. Mr. Peng graduated in July 1984 from the Construction Engineering Department of Wuhan Construction Material Industry Institute (currently known as Wuhan University of Technology), obtained a Master's Degree in Business Administration (MBA) from Wuhan University in June 1999 and obtained a Doctor's Degree in economics from Wuhan University of Technology in 2011. Mr. Peng is also a Senior Engineer, a Senior Accountant and a Coal Industry Senior Professional Manager, and is entitled to special government allowance granted by the State Council. Mr. Peng was the Head of the Design Department of Central-South Architectural Design Institute, the Deputy Principal of Shenzhen Branch of Central-South Architectural Design Institute, Head of the Finance Department of Central-South Architectural Design Institute, Deputy General Manager, Chief Economist and Finance Manager of Wuhan Kaidi Electric Power Company Limited, Chairman of the Board of Wuhan Gelin Tiandi Environmental Protection Enterprises Group Company Limited, Chairman of the Board of Wuhan Kaidi Lantian Technology Company Limited, Executive Director, Executive Vice President and Chief Financial Officer of the First Session of the Board of the Company, Vice Chairman of the Second Session of the Board of the Company, Vice Chairman of the Third Session of the Board of the Company, the Vice General Manager and the Chief Accountant of China Coal Group. Mr. Peng has extensive experience in corporate management, capital operation and financial management.

Directors, Supervisors, Senior Management and Employees

3. **Du Ji'an**, born in 1961, is a Non-executive Director of the Fourth Session of the Board and the Deputy Secretary of Party Committee of the Company. He currently serves as a Director and the Deputy Secretary of Party Committee of China Coal Group, and Vice President of Human Resources Work Committee of China National Coal Association. Mr. Du graduated from Shandong Institute of Mining and Technology (currently known as Shandong University of Science and Technology) majoring in coal mine construction in July 1983, and obtained a Doctoral Degree of engineering from China University of Mining and Technology in December 2013. He is a Professoriate Senior Engineer and a Senior Professional Manager in the coal industry, and he is entitled to special government allowance granted by the State Council. He served as the Secretary of the General Office of the Ministry of Coal Industry (deputy division chief level), Director of the General Office of China National Coal Industry Import and Export Corporation, Deputy Secretary of Party Committee of China Coal Comprehensive Utilization Group Corporation, Director of Human Resources Department, Deputy Director of Human Resources and Audit Committee and Assistant to the General Manager of China National Coal Industry Import and Export Group Corporation, Deputy Secretary of Party Committee, Secretary of Discipline Inspection Committee and Chairman of Labor Union of China National Coal Group Corporation, Deputy General Manager and Secretary to the Board of China National Coal Group Corporation and Chairman of the Board of SDIC Coal Co., Ltd. Mr. Du also served as the Chairman of the First Session of the Supervisory Committee of the Company and an Non-executive Director of the Third Session of the Board of the Company. Mr. Du has extensive experience in corporate management, team construction, human resource development and management, corporate governance, etc.

4. **Niu Jianhua**, born in 1962, is an Executive Director of the Fourth Session of the Board, the President and the Deputy Secretary of Party Committee of the Company. He currently serves at the Standing Committee of Party Committee of China Coal Group. Mr. Niu graduated from Shandong Institute of Mining and Technology (currently known as Shandong University of Science and Technology) in July 1984, majoring in Calculating Mathematics. In June 2011, he obtained an EMBA degree from Tsinghua University School of Economics and Management. He is also a Senior Engineer and a Senior Professional Manager in the coal industry. He served as a Cadre of the Human Resources Division of the China Coal Research Institute, and a Deputy Chief Staff Member and Chief Staff Member of Technical Cadre Division of the Cadre Department of China Unified Distribution Coal Mine Corporation, Chief Staff Member and a Deputy Division Chief of the Technical Cadre Division of the Personnel Department of the Ministry of Coal Industry, and Secretary of the General Office of the Ministry of Coal Industry; Secretary of the Board of Directors and Director of the General Office of China National Coal Industry Import and Export Group Corporation; Assistant to the General Manager and the Director of the General Office of China National Coal Group Corporation; Vice President of China Coal Energy Company Limited, an Executive Director of the Sales Company of China Coal Group; Deputy General Manager of China National Coal Group Corporation; Executive Director of the Third Session of the Board of the Company, etc. Mr. Niu has been working in the coal industry for more than 30 years. He is proficient in process of operation and management of coal enterprise and familiar with international and domestic coal and coal chemical markets. He has rich experience in marketing and enterprise management.

5. **Zhao Rongzhe**, born in 1965, is a Non-executive Director of the Fourth Session of the Board of the Company. He is currently a member of the Standing Committee of Party Committee and Chief Accountant of China Coal Group, Director of China Credit Trust Co., Ltd., Chairman of China Coal Finance Co., Ltd., and Director of China Coal Insurance Co., Ltd. Mr. Zhao obtained a Bachelor's Degree in Economics from China University of Mining and Technology majoring in financial accounting in June 1989, and obtained an MBA Degree from the Open University of Hong Kong in June 2011. Mr. Zhao is a Senior Accountant. Mr. Zhao has successively served as Chief Staff Member of Finance and Labour Department of Ministry of Coal Industry, Deputy Director of Finance Division in China National Coal Mining Equipment Company Limited, Deputy Director of Asset and Finance Department in China National Coal Industry Import & Export (Group) Corporation, Director of Asset and Finance Department in China National Coal Group Corporation, General Manager of Financial Management Department and Deputy Chief Accountant in China National Coal Group Corporation. Mr. Zhao was a Supervisor of the Third Session of the Supervisory Committee of the Company. Mr. Zhao has been engaged in the coal industry for nearly 30 years and has extensive experience in corporate financial management and capital operations.

6. **Xu Qian**, born in 1980, is a Non-executive Director of the Fourth Session of the Board of the Company. He is currently an Assistant to the General Manager of both Funde Sino Life Insurance Co., Ltd. and Fude Insurance Holdings Co., Ltd. Mr. Xu is an adjunct professor at the Chinese Capital Market Research Centre of Xiamen University and a visiting scholar of the Real Estate Research Centre of Business School at the University of Connecticut. Mr. Xu obtained a bachelor's degree from Jiangxi University of Finance and Economics majoring in international taxation in July 2001, a master's degree from the University of Birmingham in the United Kingdom majoring in international monetary banking in December 2003 and a doctorate degree from Cambridge University in the United Kingdom majoring in economics in July 2015. Mr. Xu was a staff member of the retail business division of Bank of China, Jiangxi Branch, the Deputy Officer of the Monetary and Credit Management Department of the People's Bank of China, Shenzhen Central Branch, and the Researcher of the Research Department, the Head of the International Business Department, the General Manager of the Equity Investment Department, and the Assistant to the General Manager of the Life Insurance Asset Management Company. Mr. Xu has also served as the General Manager of the Investment Department III of Asset Management Centre and the Assistant to the General Manager of Asset Management Centre of Funde Sino Life Insurance Co., Ltd. Mr. Xu has profound knowledge in the research on China and overseas businesses and central banking systems, formulation and impact of monetary policies, land economy, the energy industry, macroeconomic cycle and employment issues. Mr. Xu has long been engaged in domestic and overseas investment and operation of finance and industry, and has extensive experience in the energy and chemical industries.

7. **Zhang Ke**, born in 1953, is an Independent Non-executive Director of the Fourth Session of the Board of the Company, and is currently the founding partner of Shine Wing Certified Public Accountants Company Limited, an Independent Director of Net263 Ltd. and the Chief Supervisor of Beijing Association of Forensic Science. Mr. Zhang obtained a Bachelor's Degree in economics from the Industrial Economics Department of Renmin University of China in 1982. Mr. Zhang is a Certified Public Accountant and a Senior Accountant. Mr. Zhang served as the Department Manager of China International Economics Consultants Co., Ltd., Deputy Executive Officer of Zhongxin Accountants Firm, Deputy General Manager of Zhongxin Yongdao Accountants Firm, partner of Coopers & Lybrand International, General Manager of Zhongxin Yongdao Accountants Firm, Deputy Executive Director of Coopers & Lybrand (China). He was an Independent Non-executive Director of the Company from August 2006 to February 2013 and was an Independent Non-executive Director of the Third Session of the Board of the Company. Mr. Zhang has 30 years of experience in corporate strategic planning, financial planning, property right and asset restructuring, mergers and acquisition, and integration of organisational and management structures. He also has extensive experience in dealing with internal and external auditors regarding the supervision of internal control and the auditing of financial statements.

Directors, Supervisors, Senior Management and Employees

8. **Zhang Chengjie**, born in 1953, is an Independent Non-executive Director of the Fourth Session of the Board of the Company and External Director of China National Offshore Oil Corporation. Mr. Zhang graduated from North China Electric Power University with major in power system relay protection and automation. He served as the Deputy Secretary of Party Committee of North China Electric Power Institute, Vice Principal of North China Electric Power University, Secretary (director general level) of Party Committee of North China Electric Power University (Baoding), Deputy Secretary of Party Committee and Secretary of Discipline Inspection Committee of North China Electric Power University, Deputy Director and Party Branch Secretary of Human Resources Department of State Grid Corporation of China, Director of Human Resources Department, Assistant to the General Manager and Director of Human Resources Department of China Guodian Corporation, Vice General Manager and Party Leadership Group member of China Guodian Corporation as well as an Independent Non-executive Director of the Third Session of the Board of the Company. Mr. Zhang is familiar with the operation of the power industry, and develops extensive understanding on the developing trends in such industry. He has rich experience in human resources and corporate management.

9. **Leung Chong Shun**, born in 1965, is an Independent Non-executive Director of the Fourth Session of the Board of the Company, partner of Woo Kwan, Lee & Lo. and Independent Non-executive Director of SSY Group Limited, China Medical System Holdings Limited and Min Xin Holdings Limited as well as Independent Director of Min Xin Holdings Limited. He served as an Independent Non-executive Director of China National Material Company Limited, China Communications Construction Company Limited. and China Metal Recycling (Holdings) Limited as well as an Independent Non-executive Director of the Third Session of the Board of the Company. Mr. Leung is a permanent resident of the Hong Kong Special Administrative Region. He graduated from the University of Hong Kong where he obtained a bachelor's degree in laws with honours. He is qualified as a solicitor in Hong Kong and England. Mr. Leung became a practicing lawyer in 1991, and was the Chief Representative of Woo Kwan, Lee & Lo. Beijing Office. Mr. Leung is currently a China-appointed Attesting Officer. Mr. Leung is familiar with corporate finance, M&A and IPO legal services. He has been involved in various listing and acquisition transactions of many Chinese H Share companies and red chip companies.

Supervisors

1. **Zhou Litao**, born in 1960, is a Supervisor of the Fourth Session of the Supervisory Committee of the Company, and currently serve as the General Legal Counsel and a member of the Discipline Inspection Committee of China Coal Group, Executive Vice President of the Energy Law Academy of China Law Society, Chairman of Legal Issues Committee of China National Coal Association, a visiting professor of National Lawyers College, PRC, Vice Chairman of ICC China Commission on Environment and Energy and an arbitrator of China International Economic and Trade Arbitration Commission, Beijing Arbitration Commission and China Maritime Arbitration Commission. He graduated in 1983 from Hubei Institute of Finance (currently known as Zhongnan University of Economics and Law) with a major in law, and obtained an Executive MBA Degree from HEC Business School Paris, France in December 2007. He obtained a doctorate diploma and a Doctor's Degree in Law from China University of Political Science and Law in June 2011. Mr. Zhou is a senior economist and a qualified corporate legal advisor. He served as General Manager of Legal Affairs Department of China National Coal Group Corporation and Supervisor of the First Session, the Second Session and the Third Session of the Supervisory Committee of the Company. Mr. Zhou is familiar with the PRC Civil Law, Commercial Law and International Commercial Principles, and has rich experience in corporate legal management.

2. **Wang Wenzhang**, born in 1964, is a Supervisor of the Fourth Session of the Supervisory Committee of the Company. He currently serves as the Deputy Director of the Supervision and Audit Department of China Coal Group (treated as the Director of the department), Manager of the Auditing Department of the Company, Member of the China Accounting Standards Advisory Committee of the Ministry of Finance of the PRC, external instructor of the University of International Business and Economics, guest instructor of the School of Accountancy of Central University of Finance and Economics, external instructor of the School of Accounting of Capital University of Economics and Business and a specialist in credit (financial management) of China Association of Construction Enterprise Management. Mr. Wang graduated from Anhui University of Finance and Economics with a Bachelor's Degree in Economics in 1995, and obtained a Postgraduate Diploma in Party School of the Central Committee of C.P.C in 2013. Mr. Wang is a Senior Accountant and National Accounting Leader. He was awarded as the National Advanced Accounting Work Individual, CFO for the Year 2014 in China, and China International Financial Excellence Talent, and is entitled to special government allowance granted by the State Council. Mr. Wang served as Deputy Director of Finance Department, Director of Finance and Audit Department, and Manager of Finance Department in China Coal Construction Group Corporation, Deputy Director of Asset Finance Department of China Coal Energy Company Limited, and Vice General Manager of Finance Management Department of China Coal Energy Company Limited and Supervisor of China United Coalbed Methane Corporation Ltd., Chief Accountant of China National Cotton Reserves Corporation and Chairman of the Board of CNCRC Guangzhou Company (to be established), Chief Accountant of China Coal Construction Group Company Limited and Supervisor of the Third Session of the Supervisory Committee of the Company. Mr. Wang is familiar with corporate management, finance, accounting, auditing, etc. and has rich accounting practice experience.

3. **Zhang Shaoping**, born in 1964, is the Employee Representative Supervisor of the Fourth Session of the Supervisory Committee of the Company and the Secretary of Party Committee and Deputy General Manager of China National Coal Development Company Limited. He graduated from Hebei University of Engineering (formerly Hebei University of Architecture) majoring in industrial and civil construction in July 1986, and obtained a Bachelor's Degree in engineering. He is a Senior Engineer and Senior Professional Manager of the coal industry. He served as a staff of Beijing Coal Planning and Design General Institute, staff and Chief Staff Member of China Unified Distribution Coal Mine Corporation, Chief Staff Member and Assistant Researcher of Policy and Regulation Department of the Ministry of Coal Industry, Deputy Director of the Office of China National Coal Sales and Transportation Corporation, Deputy Director and Director of the Party Committee Office and Director of Party Committee Work Department of China National Coal Industry Import and Export Group Corporation, Director of Party Committee Work Department of China Coal Group, the Secretary of the Party Committee, Deputy General Manager, Executive Director and General Manager of China National Coal Development Company Limited, the Employee Representative Supervisor of the Second Session of the Supervisory Committee of the Company and the Employee Representative Supervisor of the Third Session of the Supervisory Committee. Mr. Zhang has worked in the coal industry for an extensive period and has extensive understanding of the coal industry and rich experience in business management.

Directors, Supervisors, Senior Management and Employees

Senior Management

1. **Niu Jianhua** is an Executive Director of the Fourth Session of the Board, the President and the Deputy Secretary of Party Committee of the Company. He currently serves at the Standing Committee of Party Committee of China Coal Group. Please refer to the directors' resume section for details.

2. **Qi Hegang**, born in 1959, is the Vice President of the Company, and Expert Director of Guoyuanshidai Coal Asset Management Company Limited, Deputy Director of China Coal Society, Deputy Director of the Mining Committee of Coal Miners of Coal Industry Technology Committee and an adjunct professor of China University of Mining and Technology. He graduated from Shanghai Datun Intermediate Specialised Institute majoring in mining engineering, and obtained a Master's Degree in Engineering and an Executive Master degree in Business Administration from China University of Mining and Technology and the School of Economics and Management of Tsinghua University respectively. He is also a Professoriate Senior Engineer and a Senior Professional Manager in the coal industry. He served as the Head of Mine Design Division, Vice Chief Engineer, Deputy Head, and Head for the Yaoqiao Mine of Datun Coal and Electricity (Group) Company Limited, the Chief Engineer of Datun Coal and Electricity (Group) Company Limited and a Director of Shanghai Energy Company. Mr. Qi has been involved in the production, technology and management of coal mining work for an extensive period and has developed extensive knowledge of the coal industry. He has over 30 years of operational and managerial experience in the industry.

3. **Pu Jin**, born in 1960, is the Vice President and a member of the Party Committee of the Company. He is currently also a member of the Party Committee of China Coal Group, an Executive Director and Secretary of Party Committee of China National Coal Mining Equipment Company Limited, Executive Director of China National Coal Association, Executive Director of China Coal Society, Deputy Director of Machinery and Electrical Experts Committee of Coal Industry Technology Committee and Deputy Director of National Coal Industry "653" Expert Steering Committee. He graduated from China University of Mining and Technology in 1998 with a Master's Degree in management engineering, and he obtained a Doctoral Degree in Management from the School of Management Science and Engineering of Tongji University in 2003. He is a Professoriate Senior Engineer, a National Senior Professional Manager and a Senior Professional Manager in the coal industry, and he is entitled to special government allowance granted by the State Council. He served as Assistant to the General Manager and Deputy General Manager of Automatic Engineering Division and Overseas Operations Division of China National General Machinery Corp. under the Ministry of Machinery Industry, General Manager of China Coal Shenzhen Company, General Manager of China Coal Southern Energy Resources Company Limited and Chairman of China National Coal Mining Equipment Group Corporation and other positions. Mr. Pu has extensive experience in enterprise management as well as solid theoretical expertise in coal mining machinery.

4. **Chai Qiaolin**, born in 1968, is the Chief Financial Officer, a member of the Party Committee and the Manager of Finance Department of the Company. Mr. Chai currently serves as a member of the Discipline Inspection Committee of China Coal Group, a Director and the General Manager of China Coal Finance Co., Ltd. and the Chairman of the Board of Sunfield Resources Pty. Limited. Mr. Chai graduated in July 1991 from Beijing Institute of Economics majoring in public finance. Mr. Chai has been qualified as a Senior Accountant. Mr. Chai previously served in China Coal Overseas Development Co., Ltd., China National Coal Industry Import and Export Corporation as well as China National Coal Industry Import and Export Group Corporation, undertaking financial management affairs. Mr. Chai previously served as the Deputy General Manager in the Financial Management Department of China Coal Group and the Deputy Manager of the Financial Department of the Company. Mr. Chai has over 25 years of extensive experience in financial work in state-owned enterprises as well as over 10 years of experience in capital operation and financial management in listed companies.

5. **Ma Gang**, born in 1969, is the Vice President and a member of Party Committee of the Company. He currently serves at the Standing Committee of Party Committee of China Coal Group. He graduated from China Coal Economic College (currently known as Shandong Technology and Business University) majoring in accounting in July 1991, and obtained an EMBA degree from Tsinghua University in January 2013. He is a Senior Accountant. He served as the Deputy Division Chief of both the Financial Division of Pingshuo Coal Industry Company and the Administrative Office of Pingshuo First Coal Co., Ltd., Director of the Executive Office of Pingshuo Coal Industry Company and Manager of its Life Service Company, Deputy Chief Accountant and Director of the Finance & Assets Department of China Coal Pingshuo Coal Industry Company Limited, Chief Accountant and Deputy General Manager of China Coal Pingshuo Coal Industry Company Limited, and Chief Accountant, Deputy General Manager, General Manager and Executive Director of China Coal Pingshuo Group Company Limited. Mr. Ma has long been working in the coal industry and has rich practical experience in enterprise management, production and operation, as well as financial management.

6. **Ni Jiayu**, born in 1971, is the Vice President and a member of the Party Committee of the Company. He currently serves as a member of Party Committee of China Coal Group, a member of the standing committee of Ordos City and the deputy mayor of Ordos City (secondment) and the Vice President of China Coal Education Association. He graduated from Harbin University of Science and Technology majoring in industrial design in July 1993, and obtained an MBA degree from Beijing University of Posts and Telecommunications in April 2002. He is a Senior Economist. He served as the Secretary of the Communist Youth League Committee of China Coal Construction Group Corporation, the Secretary of the Communist Youth League Committee, Deputy Director of the Work Department of Party Committee and Deputy General Manager of Human Resources Department of China National Coal Group Corporation, Manager of the Department of Human Resources and Director of the General Office of China Coal Energy Company Limited, Director of Party-Masses Work Department, Director of the Supervision and Audit Department, Director of the General Office and General Manager of Human Resource Management Department of China National Coal Group Corporation, etc. Mr. Ni has profound knowledge about the coal industry and extensive experience in human resource management and administrative management.

7. **Zhou Dongzhou**, born in 1958, is the Secretary to the Board and the Company Secretary of the Company. He graduated from China Mining College (currently known as China University of Mining and Technology) in July 1982 majoring in English where he also obtained a Master's Degree of Engineering in May 1997. He is an Associate Professor of Translation and a Senior Professional Manager in the coal industry. He served at China University of Mining and Technology, the Science and Education Department of the Ministry of Coal Industry, and served as Secretary of the General Office of the Ministry of Coal Industry and the General Office of State Administration of Coal Industry, Manager of the Market Development Department and Deputy Head of the Coal Trading Division of China National Coal Group Corporation, Deputy General Manager of China Coal Import and Export Company and Joint Company Secretary of the Company.

Description of Other Matters

Mr. Ma Gang, due to job rotation, Mr. Qi Hegang and Mr. Zhou Dongzhou, both due to retirement, have tendered their resignation to the Board to resign from their respective positions. On 15 March 2019, upon consideration and approval at the second meeting of the fourth session of the Board of Directors of the Company in 2019, Mr. Ma Gang and Mr. Qi Hegang ceased to be the Vice President of the Company, while Mr. Zhou Dongzhou ceased to be the Secretary to the Board and the Company Secretary of the Company. On the same date, the Board resolved to appoint Mr. Yi Baohou as Secretary to the Board and the Company Secretary of the Company.

For details, please refer to the relevant announcements of the Company dated 15 March 2019 published on the SSE Website, the HKSE Website and the Company Website.

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(1) The remuneration and the decision-making procedures for the remuneration of Directors, Supervisors and senior management

Remunerations for Directors and Supervisors are subject to the approval of the Shareholders' general meeting, while the remunerations for senior management is subject to the approval by the Board. For the year of 2018, the total remunerations for Directors, Supervisors and senior management of the Company was RMB7,509,800 (tax inclusive).

(2) Basis for determining the remuneration of Directors, Supervisors and senior management

As approved by the Shareholders' general meeting of the Company, the basis for determining the remunerations of Directors of the Third Session of the Board and the Supervisors of the Third Session of Supervisory Committee of the Company is as follows: independent non-executive Directors would receive remunerations from the Company, while the Company pays RMB300,000 to each independent non-executive Director (before tax, on a monthly basis, individual income tax withheld and withheld tax paid, remunerations of independent non-executive Directors would be determined according to actual period in office). Other than the above Directors, other Directors would not receive remunerations from the Company. Supervisors receive remunerations from the companies where they work. Travel expenses for Directors and Supervisors attending the Board meeting, the Supervisory Committee meeting, Shareholders' general meeting, and relevant activities held by the Board and the Supervisory Committee would be borne by the Company. Remunerations of senior management are paid in accordance with "Management Method of the Remunerations for Senior Executives of the Company".

Save for independent non-executive Directors, the remunerations of other Directors, Supervisors and senior management who receive remunerations from the Company include basic salaries, bonuses, five insurances and one fund and corporate annuity paid by the Company.

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position Held	Changes	Reasons of Change
Zhao Rongzhe	Non-executive Director	Election	Elected as a Non-executive Director of the fourth session of the Board of the Company at the first extraordinary general meeting in 2018
Xu Qian	Non-executive Director	Election	Elected as a Non-executive Director of the fourth session of the Board of the Company at the first extraordinary general meeting in 2018
Liu Zhiyong	Non-executive Director	Resignation	Expiry of the term of office
Xiang Xujia	Non-executive Director	Resignation	Expiry of the term of office

Directors, Supervisors, Senior Management and Employees

V. EMPLOYEES OF THE COMPANY AND MAJOR SUBSIDIARIES

	Number of persons
Number of current employees in the Company	459
Number of current employees in major subsidiaries	25,646
Total number of current employees	42,194
Number of staff who have resigned or retired, for whom the Company and major subsidiaries are required to bear the relevant costs	0

Professional composition

Professional composition by type	**Number of persons of professional composition**
Production Staff	25,287
Sales Staff	963
Technical Staff	8,995
Financial Staff	815
Administrative Staff	3,268
Other Staff	2,866
Total	42,194

Education Level

Education level by type	**Number of persons**
Postgraduate or above	1,192
Undergraduate	11,257
Technical College	11,232
Below College	18,513
Total	42,194

Note: Major subsidiaries include Pingshuo Group, Shanghai Energy Company and China Coal Huajin Company.

VI. REMUNERATION POLICY

In terms of the strategy in relation to employee remunerations, the Company upheld an effectiveness-and efficiency-oriented approach that fully enhanced the function of remuneration incentives, which has led to improved quality and productivity, promoting the healthy development of the Company.

VII. TRAINING SCHEME

In 2018, the Company followed guidance of political leadership, continuously strengthened the education on Party regulations, constantly improved training methods to scientifically formulate and implement annual training programs; meanwhile, the Company urged all grassroot units to provide training for second-level employees and below in accordance with their respective management authorities. Throughout the year, approximately 56,300 employees of all levels were trained by the Company. Through training, the quality of the workforce and the ability to perform duties have been enhanced effectively, and the overall talent team structure has been improved as well.

VIII. OUTSOURCING

Total number of outsourced working hours (hours)	38,108,000
Total amount of remunerations paid for outsourcing (RMB: one thousand)	1,096,700

Directors' Report

Dear Shareholders,

The board of directors (the "**Board**") of China Coal Energy Company Limited is pleased to present the directors' report of the Company and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018 prepared in accordance with the IFRS.

I. PRINCIPAL OPERATIONS

The Group is principally engaged in the production and trade of coal, coal chemical business, coal mining equipment manufacturing and related services, pithead power generation and other businesses in China. The coal business includes coal production, sales and trading. The coal chemical business includes the production and sales of polyolefin, methanol, urea and other coal chemical products. The coal mining equipment business includes the design, research and development, manufacturing and sales of coal mining machinery and equipment and provision of after-sales services. Details of the principal business of the Group's principal subsidiaries are set out in the financial statements.

Further discussions on business as required under Schedule 5 of Companies Ordinance (including the pertinent review on the businesses of the Group, the analysis on the key financial performance indexes, and the disclosure of the likely future development of the businesses of the Group) are set out in "Chairman's Statement", "Management Discussion and Analysis of Financial Conditions and Operating Results" and "Business Performance" of this annual report. The important events that occurred after the end of the Reporting Period and may have influence on the Group are set out in this report. The above discussions form part of this Directors' report.

II. OPERATING RESULTS

The financial and operating results of the Group for the year ended 31 December 2018 are set out in the section headed "Management Discussion and Analysis of Financial Conditions and Operating Results".

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

IV. SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, to the knowledge of the Directors, Supervisors and chief executive of the Company and as recorded in the register of interests required to be maintained pursuant to section 336 of the Securities and Futures Ordinance, the interests or short positions of the following persons (excluding Directors, Supervisors and chief executive) in the Company's shares or underlying shares were as follows:

Name of shareholders	Number of shares	Class of shares	Nature of interest	Capacity	Percentage of the respective class of the total shares in issue (%)	Percentage of the total shares in issue (%)
China National Coal Group Corporation	7,605,207,608	A Shares	N/A	Beneficial owner	83.10	57.36
Funde Sino Life Insurance Co., Ltd.	2,012,858,147	H Shares	Long position	Interest of controlled corporation by substantial shareholders	49.01	15.18

Note: The information disclosed is based on the information provided on the HKSE Website (www.hkex.com.hk).

Save as disclosed above, as at 31 December 2018, to the knowledge of the Directors, Supervisors and chief executive of the Company and as recorded in the register of interests required to be maintained pursuant to section 336 of the Securities and Futures Ordinance, there were no other persons who were interested or held short positions in the Company's shares or underlying shares.

V. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2018, none of the Directors, Supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as required to be recorded in the register of interests to be kept by the Company under Section 352 of the Securities and Futures Ordinance, or which are required to be notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

As of 31 December 2018, the Company had not granted any rights to any Director, Supervisor or chief executive of the Company or their spouses or children under 18 years of age to subscribe for the shares or debentures of the Company or its associated corporations, nor did any of the above-mentioned individuals exercise any such rights to subscribe for the aforesaid shares or debentures.

As at 31 December 2018, save as Mr. Li Yanjiang, Mr. Peng Yi, Mr. Du Ji'an, Mr. Niu Jianhua, Mr. Zhao Rongzhe and Mr. Xu Qian, there is no other Director who is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

VI. PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, as of the date of this report, the Company had maintained the prescribed public float under the Hong Kong Listing Rules.

VII. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Directors of the Company Li Yanjiang and Zhangke and Supervisors of the Company Zhou Litao and Zhang Shaoping; Director of the Company Peng Yi; Director of the Company Niu Jianhua; Directors of the Company Du Ji'an, Zhang Chengjie, Leung Chong Shun and Supervisor Wang Wenzhang; and Directors of the Company Zhao Rongzhe and Xu Qian entered into a service contract with the Company respectively on 16 June 2015, 22 March 2017, 19 December 2017, 26 June 2017 and 23 October 2018. Pursuant to the terms of the service contract, each of the Directors and Supervisors agrees to perform his duties as the Director or Supervisor of the Company. The term of service of Directors and Supervisors is from the date of appointment until the expiration of the term of the current sessions of the Board and the Supervisory Committee. The service contracts with the Directors and Supervisors shall remain valid at their respective re-election.

Save for the above contracts, none of the Directors or Supervisors of the Company has entered into a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

VIII. DIRECTORS' AND SUPERVISORS' INTERESTS IN IMPORTANT TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Apart from the service contracts, for the year ended 31 December 2018, none of the Directors or Supervisors or their related entities was materially interested, whether directly or indirectly, in any transactions, arrangements or contracts of significance for the businesses of the Group to which the Company, the holding company of the Company, or any of its subsidiaries or fellow subsidiaries of the holding company is a party.

IX. REMUNERATION OF DIRECTORS AND SUPERVISORS

The details of the remuneration of Directors and Supervisors of the Company for the year ended 31 December 2018 are set out in the notes to the consolidated financial statements and the section headed "Directors, Supervisors, Senior Management and Employees" of this report.

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

The remuneration package of Directors of the Company 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 and performance as well as the operating results of the Group.

X. 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 (the term "securities" has the meaning ascribed to it under the Hong Kong Listing Rules).

XI. PROPERTY, PLANT AND EQUIPMENT

The details of the changes in the property, plant and equipment of the Company for the year ended 31 December 2018 are set out in the notes to the audited financial statements for the year.

XII. DONATION

For the year ended 31 December 2018, the Company donated a total of RMB6,687,000 for charity and other donation purposes.

XIII. SUBSIDIARIES AND ASSOCIATES

The details of subsidiaries and associates of the Company as at 31 December 2018 are set out in the notes to the audited financial statements for the year.

XIV. PRE-EMPTIVE RIGHTS AND SHARE OPTION ARRANGEMENT

There are no provisions for pre-emptive rights under the relevant laws of the PRC which would entitle the Shareholders of the Company to subscribe for shares on a pro rata basis. Currently, the Company does not have any share option arrangement.

XV. MAJOR SUPPLIERS AND CUSTOMERS

The Group's major suppliers mainly provide the Group with raw materials such as trading coal and diesel oil. The major customers of the Group mainly include domestic electric power enterprises, iron and steel enterprises, coal production enterprises and chemical product manufacturing enterprises. During the year ended 31 December 2018, total values (not of a capital nature) of the contracts entered into between the Group and its top five suppliers accounted for less than 30% of the total values of the goods purchased. The top five customers of the Group in aggregate accounted for less than 30% of the total amount of revenue and other income of the Group during the year ended 31 December 2018.

XVI. MATERIAL CONTRACTS

Save as disclosed in the section headed "Connected Transactions" in this report, none of the Company or any of its subsidiaries entered into any material contracts with the controlling shareholder or any of its subsidiaries other than the Group.

XVII. CONNECTED TRANSACTIONS

The followings are the main connected transactions of the Group during the year of 2018:

(1) Continuing Connected Transactions

As a result of listing after restructuring and reform, there are connected transactions between the Group and China Coal Group. The daily continuing connected transactions between the Group and China Coal Group are conducted in the ordinary and normal course of business of the Company, and such transactions can prevent potential competition between coal products of the Group and those of China Coal Group, and enable the Group to secure products and services, such as coal products, integrated materials, engineering design and construction, land and property leasing, as well as financial services and other products and services from China Coal Group at market price through the ordinary course of business of the Group. Such transactions facilitate expansion of the Group's scale of operation, reduce uncertainty of transactions, lower transaction costs, strengthen capital management, prevent unnecessary disruptions to operations and avoid migration costs. The Group has entered into certain connected transaction agreements with the parent company group. Meanwhile, there are also connected transactions between the Company and Shanxi Coking Coal Group, the substantial shareholder of China Coal Huajin Company, which is a significant subsidiary of the Company. Such transactions facilitate the Company in obtaining stable coal product supply, coal mine construction and related service at a market price and are conducive to the reduction in uncertainties and transaction costs during the transaction process of the Group. The transactions under these agreements constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The terms of the relevant connected transaction agreements, the annual caps for and the actual amount incurred in 2018 are as follows:

1. Coal Supply Framework Agreement

On 27 April 2017, the Company renewed the Coal Supply Framework Agreement with China Coal Group. The agreement is valid from 1 January 2018 until 31 December 2020, and is renewable upon expiry. Pursuant to the agreement, China Coal Group has agreed to exclusively supply the coal products produced from the mines owned by China Coal Group and its subsidiaries (excluding the Company) to the Group, and has undertaken not to sell any such coal products to any third party excluding the Company and the institutions designated by the Company. The Group is entitled to purchase coal products produced by third parties once the quantity or quality of coal products provided by China Coal Group and its subsidiaries (excluding the Company) cannot satisfy the requirements of the Group. The details are set out in the announcements of the Company dated 27 April 2017 and 26 June 2017.

Pricing principles: The coal prices of long term contracts shall be determined in accordance with the Bohai-Rim Steam-Coal Price Index and the China Coal Price Index of China Coal Transport and Distribution Association, subject to adjustments on a monthly basis in accordance with the changes in the indexes. The spot prices of coal shall be determined and promptly adjusted in accordance with market prices.

The annual cap of coal purchase expenditure for 2018 payable by the Company to China Coal Group in respect of the supply of coal products produced at the coal mines under restructuring by China Coal Group to the Company for the year ended 31 December 2018 was RMB8.60 billion. The actual expenditure incurred was RMB3.757 billion.

2. *Integrated Materials and Services Mutual Provision Framework Agreement*

On 27 April 2017, the Company renewed the Integrated Materials and Services Mutual Provision Framework Agreement with China Coal Group. The agreement is valid from 1 January 2018 until 31 December 2020, and is renewable upon expiry. Pursuant to the agreement, 1) China Coal Group and its subsidiaries (excluding the Group) shall supply the Group (i) production materials and ancillary services, including raw materials, ancillary materials, transportation, loading and uploading services, electricity and heat supply, equipment maintenance and leasing, labour contracting and others; and (ii) social and support services including staff training, medical services and emergency rescues, communication, property management services and others; and 2) the Group and its subsidiaries shall supply China Coal Group and its subsidiaries (excluding the Group) (i) production materials and ancillary services, including coal, coal mining facilities, raw materials, auxiliary materials, electricity and heat supply, transportation, loading and uploading services, equipment maintenance and leasing, labour contracting and others; and (ii) exclusive coal export-related ancillary services including organising product supply, performing coal blending, coordinating logistics and transportation, provision of port related services, arranging for inspection and quality verification and providing services relating to product delivery. The details are set out in the announcements of the Company dated 27 April 2017 and 26 June 2017.

Pricing principles shall be in the following order: as for the bulk equipment and raw materials, the price will be arrived at by bidding process in principle; where no bidding process is involved, the price shall be in accordance with the relevant market price; and where comparable market price rate is unavailable, the agreed price shall be adopted. The agreed price is determined with reference to "reasonable costs plus a reasonable profit margin".

For the year ended 31 December 2018, (1) the annual cap of the expenses paid by the Company for raw materials and ancillary services and social and support services provided by China Coal Group and its subsidiaries (excluding the Group) for 2018 was RMB4.20 billion and the actual expenditure incurred was RMB4.179 billion; (2) the annual cap of the revenue from the provision of raw materials and ancillary services and coal export-related services to China Coal Group and its subsidiaries (excluding the Group) for 2018 was RMB1.250 billion and the actual revenue was RMB535 million.

3. *Project Design, Construction and General Contracting Services Framework Agreement*

On 27 April 2017, the Company entered into the Project Design, Construction and General Contracting Services Framework Agreement with China Coal Group. The agreement is valid from 1 January 2018 until 31 December 2020 and is renewable upon expiry. Pursuant to the agreement, China Coal Group and its subsidiaries (excluding the Group) shall provide project design, construction and general contracting services to the Group, and take up projects subcontracted by the Group. The details are set out in the announcements of the Company dated 27 April 2017 and 26 June 2017.

Pricing principles: the service provider and the price of project design, construction and general contracting services shall be determined through a bidding process in principle and in compliance with applicable laws, regulations and rules. China Coal Group and its subsidiaries (excluding the Group) shall bid by stringently following the steps and/or measurements as stipulated by the Invitation and Submission of Bids Law of the PRC and the specific requirements in bidding invitation documents made by the Group.

For the year ended 31 December 2018, the annual cap of the expenses paid by the Company for project design, construction and general contracting services provided by China Coal Group and its subsidiaries (excluding the Group) for 2018 was RMB6.050 billion and the actual expenditure incurred was RMB2.054 billion.

4. *Property Leasing Framework Agreement*

On 23 October 2014, the Company entered into the Property Leasing Framework Agreement with China Coal Group for a term of 10 years commencing from 1 January 2015, and is renewable upon expiry. Pursuant to the agreement, China Coal Group and its subsidiaries (excluding the Group) have agreed to lease certain properties in the PRC to the Group for the general operation and ancillary purpose. The properties leased include 360 properties amounting to a total floor area of approximately 317,298.01 square metres and most of which are for production and operation usage. Details are set out in the announcement of the Company dated 23 October 2014.

Pricing principles: (i) the rentals are subject to review and adjustments every three years during the term of the Property Leasing Framework Agreement by reference to the prevailing market rates. The adjusted rentals shall not exceed the prevailing market rates as confirmed by an independent property valuer; (ii) any downward adjustment in rentals for such properties leased to the Group may be made at any time during the term of the Property Leasing Framework Agreement notwithstanding the normal three-year rental adjustment mechanism provided for thereunder as described above; and (iii) the rentals will be paid by cash each year and funded by the Group's internal resources.

The annual cap for 2018 in respect of property rentals paid by the Company to China Coal Group and its subsidiaries (excluding the Group) in respect of the structures and properties leased was RMB120 million. The actual rental incurred for the year ended 31 December 2018 was RMB109 million.

5. *Land Use Rights Leasing Framework Agreement*

The Company and China Coal Group entered into the Land Use Rights Leasing Framework Agreement on 5 September 2006 of a term of 20 years, which is renewable upon expiry. Pursuant to the agreement, China Coal Group and its subsidiaries (excluding the Group) have agreed to lease to the Group certain land use rights for general business and auxiliary facilities purposes. Such land use rights include 202 parcels of land amounting to an aggregate gross site area of approximately 5,788,739.77 square metres, most of which are used for production and operation. Details are set out in the announcements of the Company dated 5 September 2006, 21 October 2011 and 23 October 2014.

Pricing principles: (i) the rentals are subject to review and adjustments every three years during the term of the Land Use Rights Leasing Framework Agreement by reference to the prevailing market rates. The adjusted rentals shall not exceed the prevailing market rate as confirmed by an independent property valuer; (ii) any downward adjustment in rentals of such land use rights leased to the Group may be made at any time during the term of the Land Use Rights Leasing Framework Agreement notwithstanding the normal three year rental adjustment mechanism provided for thereunder as described above; and (iii) the rentals will be paid by cash annually and funded by the Group's internal resources.

The annual cap for 2018 in respect of the land use rights rental paid by the Company to China Coal Group and its subsidiaries (excluding the Group) was RMB57 million. The actual rental incurred for the year ended 31 December 2018 was RMB50 million.

6. *Financial Services Framework Agreement*

On 27 April 2017, Finance Company, a controlling subsidiary of the Company, renewed the Financial Services Framework Agreement with China Coal Group. The agreement is valid from 1 January 2018 until 31 December 2020, and is renewable upon expiry. Pursuant to the agreement, Finance Company agrees to provide financial services such as deposit and loan services and financial leasing to China Coal Group and its subsidiaries (excluding the Group) and contacts of China Coal Group. The details are set out in the announcements of the Company dated 27 April 2017 and 26 June 2017.

Pricing principles: (i) the interest rate for deposits shall be negotiated on arm's length and by reference to the interest rates provided by normal commercial banks in the PRC for comparable deposits by both parties, but in any event shall not be higher than the upper limit allowed by the PBOC for such type of deposits, or the interest rate provided by Finance Company to other clients for the same type of deposits, or the interest rate for the same type of deposits provided by normal commercial banks in China to China Coal Group and its subsidiaries (excluding the Group) and contacts of China Coal Group, whichever is lower; (ii) the interest rates for loans shall be negotiated on arm's length and by reference to the interest rates charged by normal commercial banks in the PRC for comparable loans by both parties, but in any event shall not be lower than the lowest rates prescribed by the PBOC for such type of loans, or the interest rate charged by Finance Company to other clients for the same type of loans, or the interest rate for the same type of loans charged by normal commercial banks in China to China Coal Group and its subsidiaries (excluding the Group) and contacts of China Coal Group, whichever is higher; and (iii) the fee standard for other financial services (excluding the deposits and loans) shall be determined according to the corresponding service fees fixed by the PBOC or the CBRC. If such fixed fee rates are not available, the service fees are negotiated on arm's length and by reference to the fees charged by normal commercial banks in the PRC for comparable financial services. But in any case, the fee standard shall not be lower than the fee standard adopted by normal commercial banks in the PRC for comparable services.

The maximum daily balance of loans and financial leasing (including accrued interests) for 2018 granted by Finance Company to China Coal Group and its subsidiaries (excluding the Group) and contacts of China Coal Group was RMB4.50 billion. The actual maximum daily balance incurred for the year ended 31 December 2018 were RMB4.289 billion; the annual cap for 2018 in respect of financial services fees charged by Finance Company for providing financial services to China Coal Group and its contacts was RMB10 million, for the year ended 31 December 2018, the actual fees charged was RMB2 million.

7. *Coal and Coal Related Products and Services Supply Framework Agreement between the Company and Shanxi Coking Coal Group*

On 27 April 2017, the Company renewed the Coal and Coal Related Products and Services Supply Framework Agreement with Shanxi Coking Coal Group. The agreement is valid from 1 January 2018 until 31 December 2020, and is renewable upon expiry. Pursuant to the agreement, the Group has agreed to purchase the coal and coal related products and accept services from Shanxi Coking Coal Group, and Shanxi Coking Coal Group has agreed to purchase the coal and coal related products and accept services from the Group. The details are set out in the announcement of the Company dated 27 April 2017.

Pricing principles: (i) as for the coal mine infrastructural project and procurement of coal mining facilities, the price shall be arrived at by bidding process; and (ii) the coal purchase price shall be determined in accordance with the relevant market price.

The annual cap for 2018 in respect of the coal and coal related products purchased and services received by the Company from Shanxi Coking Coal Group was RMB310 million. The actual amount incurred during the year ended 31 December 2018 was 0. The annual cap for 2018 in respect of the coal and coal related products purchased and services accepted by Shanxi Coking Coal Group from the Company was RMB1.10 billion. The actual amount incurred during the year ended 31 December 2018 was RMB551 million.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Hong Kong Listing Rules.

A copy of the auditor's letter has been provided by the Company to the HKSE. The letter stated that:

– the aforesaid continuing connected transactions have obtained approval from the Board;

– the pricing of the continuing connected transactions in relation to the provision of goods and services by the Group was determined, in all material respects, in accordance with pricing policy of the Group;

– the aforesaid continuing connected transactions were carried out, in all material respects, pursuant to relevant agreements regulating such transactions; and

– the aforesaid continuing connected transactions did not exceed their respective annual cap as disclosed in each of the announcements of the Company in respect of the transactions. All the independent non-executive Directors have reviewed the above continuing connected transactions and have confirmed that the transactions are:

    1. in the Company's ordinary course of business;

    2. on normal or more favourable commercial terms; and

    3. in accordance with the relevant agreements governing them and on terms that are fair and reasonable and in the interests of Shareholders of the Company as a whole.

The Company has confirmed that the specific agreements under the continuing connected transactions for the year ended 31 December 2018 mentioned above were entered into and executed in accordance with the pricing principles pertaining thereto.

(2) Non-continuing Connected Transactions

1. *Matters in relation to the transfer of "Three Supplies and One Property" and Municipal Community Facility Asset in subsidiaries*

On 20 March 2018, Shanghai Energy Company, a controlled subsidiary of the Company, signed an Asset Transfer Agreement with Datun Company, a wholly-owned subsidiary of China Coal Group, and Beijing Coal Mining Machinery Company, a wholly-owned subsidiary of the Company entered into a Transfer Agreement with Bangben Property, a wholly-owned subsidiary of China Coal Group, in order to transfer the "Three Supplies and One Property" Asset together with the "Municipal Community Facility" Asset held by Shanghai Energy Company and the "Three Supplies and One Property" Asset held by Beijing Coal Mining Machinery Company to China Coal Group. Pursuant to the Asset Transfer Agreement, (i) in respect of the sale of the "Three Supplies and One Property" Asset in Shanghai Energy Company, Datun Company shall pay Shanghai Energy Company RMB116.7310 million in a lump sum before 31 October 2018; (ii) in respect of the sale of the "Municipal Community Facility" Asset in Shanghai Energy Company, Datun Company shall pay Shanghai Energy Company RMB38.9751 million in a lump sum before 30 June 2018; and (iii) in respect of the sale of the "Three Supplies and One Property" Asset in Beijing Coal Mining Machinery Company, Bangben Property shall pay Beijing Coal Mining Machinery Company RMB36.1345 million in a lump sum before 31 October 2018. The asset transfers mentioned above aims at separating the function of the "Three Supplies and One Property", "Municipal Community Facility" and Community Management which is undertaken by the Company and inconsistent with the development of the main business, which is, in turns, conductive to reduce corporate burden; conductive to concentrate their advantages on promoting their main business further achieve healthy development and quality improvement and efficiency enhancement. At present, the aforesaid payments have been fully made.

For details, please refer to the relevant announcements published on the websites of SSE, HKSE Website and the Company Website on 20 March 2018.

The Company incurred a transfer loss of RMB19.5647 million from the above asset transfers during the reporting period.

2. *Matters in relation to the acquisition of 100% equity interests in Jincheng Investment Company to China Coal Huajin Company*

On 27 April 2018, China Coal Huajin Company, a controlled subsidiary of the Company, signed an Equity Transfer Agreement with China Coal Group, in order to transfer 100% equity interests in Jincheng Investment Company held by China Coal Group to China Coal Huajin Company. Pursuant to the Equity Transfer Agreement, RMB1,712.5447 million shall be paid by China Coal Huajin Company to China Coal Group in a lump sum within 15 days from the date the Equity Transfer Agreement took effect. The Equity Transfer Agreement would help the Company to expand the reserves of coal for larger capacity and improve the structure of coal products to further optimise its regional layout; minimise potential connected transactions in the future; avoid any potential competition with China Coal Group; and enhance the Company's profitability and competitiveness in the long run. At present, the aforesaid payment has been fully made.

For details, please refer to the relevant announcements published on the websites of the SSE, the HKSE and the Company on 27 April 2018 and 25 June 2018.

3. *Matters in relation to Capital Increase to a Joint Venture*

On 21 August 2018, the Company, Shanxi Coking Coal Group and Huajin Coking Coal Company entered into a Capital Increase Agreement to make additional capital contribution of RMB980 million to Huajin Coking Coal Company, a 49% owned subsidiary of the Company, in proportion to the Company's shareholding in it. Following the completion of the Capital Increase, each party's shareholding in Huajin Coking Coal Company will remain the same. The Capital Increase is beneficial for Huajin Coking Coal Company to mitigate its shortage of funding and improve its capital structure, thereby enhancing its market competitiveness and sustainable development capacity. Participation in the Capital Increase will help the Company enhance its return of investment and is thus in the interests of the Company and its shareholders as a whole. At present, the aforesaid Capital Increase payment has been fully made.

For details, please refer to the relevant announcements published on the websites of the SSE, the HKSE and the Company on 21 August 2018.

4. *Matters in relation to the acquisition of equity interests in China Coal Electric Company Limited*

On 21 August 2018, Equipment Company, a wholly-owned subsidiary of the Company, entered into an Equity Transfer Agreement with China Coal Assets Management Company, a wholly-owned subsidiary of China Coal Group, to transfer 100% equity interests in China Coal Electric Company held by China Coal Assets Management Company to Equipment Company. Pursuant to the Equity Transfer Agreement, RMB257.4657 million shall be paid by Equipment Company to China Coal Assets Management Company in a lump sum within 30 business days from the date the Equity Transfer Agreement took effect. The transaction will help the Company enhance the product competitiveness of the Company as a coal machinery equipment manufacturing enterprise through reform measures including the optimisation of resource allocation as well as business reorganization and consolidation, and form the synergetic advantage of products; and is conducive to reducing daily continuing connected transactions between the Company and China Coal Group; increasing the categories of products and services of Equipment Company, and expanding the Company's channels in the coal machinery equipment market. At present, the aforesaid consideration has been fully paid.

For details, please refer to the relevant announcements published on the websites of the SSE, the HKSE and the Company on 21 August 2018.

Save as disclosed above, no connected party transaction or continuing connected party transaction set out in the notes to the financial statements falls under the definition of discloseable connected transaction or continuing connected transaction under the Hong Kong Listing Rules. As for the aforementioned connected transactions and continuing connected transactions, the Company has complied with the disclosure requirements set out in the Hong Kong Listing Rules from time to time.

XVIII. REDUCED HORIZONTAL COMPETITION

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

For details, please refer to the relevant announcements published on the websites of SSE, HKSE Website and the Company Website on 14 February 2014 and on 13 May 2014 respectively.

XIX. ISSUES, DIFFICULTIES AND RISKS ARISING FROM THE OPERATION OF THE COMPANY AND RELEVANT STRATEGIES AND MEASURES

(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.

XX. SIGNIFICANT EVENTS

(1) Share Capital Structure

As of 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 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.

XXI. MATERIAL LEGAL PROCEEDINGS

As at 31 December 2018, the Company was not involved in any material litigations or arbitrations, and to the best knowledge of the Company, there was no pending, threatened or ongoing material litigation or claim against the Company as at 31 December 2018.

XXII. AUDITORS

On 25 June 2018, the annual general meeting of the Company for 2017 approved the engagement of Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the auditors for interim financial report review, annual financial report audit and internal control audit of financial report of the Company under PRC GAAP and IFRS for 2018.

XXIII. TAXATION

The Company, according to the applicable tax laws and regulations, withheld and paid the relevant taxes for foreign non-resident enterprises or resident individual Shareholders when distributing the dividends for 2017.

Directors' Report

XXIV. RESERVES

Details of changes in the reserves of the Group during 2018 are set out in the consolidated financial statements and the consolidated statement of changes in equity respectively.

As at 31 December 2018, reserves available for distribution by the Company in accordance with the laws and regulations of the PRC were RMB19.908 billion.

XXV. PENSION AND OTHER STAFF COST

The details of pension and other staff costs of the Group are set out in the notes to the financial statements.

XXVI. FINANCIAL SUMMARY

The summary of the Group's financial information for the last five financial years was extracted from the audited financial statements. The summary does not form part of the audited financial statements.

XXVII. PERMITTED INDEMNITY PROVISION

The Company has purchased liability insurance for its Directors, Supervisors and senior management. The insurance was effective in the fiscal year ended 31 December 2018 and remains effective as at the date of this Report. For details, please refer to the Corporate Governance Report section in this report.

XXVIII. MANAGEMENT CONTRACT

The Company neither concluded nor had any contract for overall management and administration or the management and administration of any important business within the Reporting Period.

XXIX. SUBSEQUENT EVENTS

There are no material subsequent events for the Group.

China Coal Energy Company Limited
Chairman and executive director
Li Yanjiang

Beijing, China
15 March 2019

As at the date of this directors' report, 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.

Supervisory Committee's Report

During the reporting period, with a view to protecting the interests of the Company and its Shareholders, all members of the Supervisory Committee of the Company discharged their powers, duties and obligations with the utmost conscientiousness and lawfully exercised their supervisory functions in accordance with relevant requirements of the Company Law of the People's Republic of China, the Articles of Association and the Rules of Procedures of the Supervisory Committee of the Company and in strict compliance with the requirements of the Rules of Procedures of the Supervisory Committee. The Supervisory Committee has conducted supervision over the major decision-making, financial reports, connected transactions of the Company and the duties performed by the Directors and senior management of the Company through organising and convening meetings of the Supervisory Committee and attending Shareholders' general meetings and Board meetings, thereby completing the work of the Supervisory Committee in a better way in 2018.

I. DETAILS OF MEETINGS OF THE SUPERVISORY COMMITTEE

Session of meeting	Date of meeting	Newspaper for information disclosure of the resolution	Date of information disclosure of the resolution
First meeting for 2018 of the third session of the Supervisory Committee	20 March 2018	Shanghai Securities News, Securities Times	20 March 2018
Second meeting for 2018 of the third session of the Supervisory Committee	27 April 2018	China Securities Journal, Securities Daily	27 April 2018
Third meeting for 2018 of the third session of the Supervisory Committee	21 August 2018	China Securities Journal, Securities Daily	21 August 2018
Fourth meeting for 2018 of the third session of the Supervisory Committee	23 October 2018	China Securities Journal, Securities Daily	23 October 2018

During the reporting period, the Supervisory Committee convened four on-site meetings, at which nineteen resolutions in relation to the Company's 2017 annual report and its summary, the first quarterly report for 2018, the interim report for 2018 and the third quarterly report for 2018 and others were considered and approved. The Supervisory Committee listened to reports in relation to the auditing work for the Company's key projects in 2017 and the plan arrangement for 2018.

II. OPINIONS OF THE SUPERVISORY COMMITTEE IN RESPECT OF THE WORK 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. As the advancement of the supply-side structural reform was deepened, the coal market remained generally steady. The Company insisted on the working keynote of "quality improvement amid stability with reform and innovation", rapidly expanded its operating scale, significantly enhanced its overall strength and greatly increased the profitability of each segment. The Supervisory Committee is satisfied with the Company's accomplishments.

Supervisory Committee's Report

III. INDEPENDENT OPINIONS GIVEN BY THE SUPERVISORY COMMITTEE IN RESPECT OF THE FOLLOWING ISSUES OF THE COMPANY IN 2018

(1) Operation of the Company in 2018 in Accordance with the Laws

During the reporting period, the Supervisory Committee supervised, examined and assessed the financial affairs of the Company and the duties performed by the Directors and senior management of the Company. The Supervisory Committee is of the opinion that the Company was able to operate in strict compliance with the laws and regulations of the PRC, and that the decision-making procedures were within the boundaries of laws. The Company conscientiously implemented the resolutions of Shareholders' general meetings and Board meetings, continued to improve its internal control system and strengthened its risk prevention capabilities. The Directors and senior management of the Company duly performed their duties and the Supervisory Committee has not discovered any acts in violation of the laws, regulations, the Articles of Association or acts that were detrimental to the benefits of the Company.

(2) Examination of the Financial Affairs of the Company

After carefully reviewing the quarterly financial reports, interim financial report and annual financial report and the proposed profit distribution plan and other matters of the Company, the Supervisory Committee considers that the auditor's report with standard unqualified opinions provided by an accounting firm appointed by the Company represented a true, objective and fair description of the financial conditions, operating results and cash flow of the Company without any false representations, misleading statements or material omissions.

(3) Use of Proceeds

During the reporting period, the expended proceeds from A Share issuance amounted to RMB3.556 billion while the accumulated expended proceeds amounted to RMB26.023 billion. The actual expenses incurred were consistent with those the Company undertook to fund the projects.

(4) Acquisition or Disposal of Assets by the Company

During the reporting period, Shanghai Energy Company, a subsidiary of the Company, completed the negotiated transfer of "Three Supplies and One Property" asset. Shanghai Energy Company completed the negotiated transfer of "Municipal Community Facility" Asset. Beijing Coal Mining Machinery Company completed the negotiated transfer of "Three Supplies and One Property" Asset. China Coal Huajin Company acquired 100% equity interests in SDIC Jincheng Energy Investment Co., Ltd. held by China Coal Group. The Company made additional capital contribution to Huajin Coking Coal Company Limited. Equipment Company completed the acquisition of China Coal Electric Company Limited. The above transactions were conducted in accordance with the principles of market pricing, and the considerations of these transactions were fair and reasonable. The Supervisory Committee did not identify any insider dealing or any circumstances that were detrimental to the interests of Shareholders or resulted in a dissipation of assets of the Company.

(5) Connected Transactions

During the reporting period, the connected transactions of the Company were conducted by strictly adhering to the principles of equality, fairness, openness and complying with the requirements of relevant laws and regulations and the connected transactions management system of the Company, and its disclosure of information was standardised and transparent. The Supervisory Committee did not identify any acts that were detrimental to the benefits of the Company.

(6) Review of Assessment Report on Internal Control and Social Responsibility Report

The Supervisory Committee has duly reviewed the Assessment Report on Internal Control of the Company for 2018 and the Social Responsibility Report of the Company for 2018. The Supervisory Committee is of the opinion that the self-assessment report on internal control and the social responsibility report of the Company have given an objective and true picture of the conditions of the internal control and the performance of social responsibility of the Company. The Supervisory Committee has no dissenting opinion on the abovementioned two reports.

(7) Implementation of Resolutions of Shareholders' General Meetings

The Supervisory Committee has conducted supervision over the Board's implementation of the resolutions passed at the Shareholders' general meeting during the reporting period, and is of the opinion that the Board has been able to duly perform its duties, strengthen scientific decision-making as well as actively and consistently implement the relevant resolutions of the Shareholders' general meeting and hence has promoted the scientific and healthy development of the Company.

In 2019, the Supervisory Committee will continue to fulfill its supervisory duties faithfully and diligently in strict compliance with the Company Law, the Articles of Association of the Company and relevant provisions, and strive to fulfill its work with an aim to protect the interests of the Company and its Shareholders.

The Supervisory Committee of
China Coal Energy Company Limited
15 March 2019

Corporate Governance Report

During the reporting period, the Company continued to strive for standardised operations, perfect the Company's corporate governance systems, improve its comprehensive risk management and internal control as well as enhance management efficiency and corporate governance.

I. OVERVIEW OF CORPORATE GOVERNANCE

The Company has established a corporate governance structure comprising the Shareholders' general meeting, the Board, the Supervisory Committee and the management team in accordance with the provisions of relevant laws and regulations including the Company Law and the Securities Law, so as to establish a check-and-balance mechanism with clear delineation of rights and responsibilities and standardised operation among the executive, decision-making and supervisory bodies and the management team. The Company has formulated a series of rules and regulations such as Articles of Associations, Rules of Procedures of Shareholders' General Meetings and Rules of Procedures of the Board of Directors. During the reporting period, the corporate governance of the Company basically complies with the requirements of relevant regulations of the CSRC.

The Board has reviewed the documents regarding corporate governance adopted by the Company, and believes that such documents have met the relevant code provisions as set out under the Corporate Governance Code and the Corporate Governance Report set out in Appendix 14 of the Hong Kong Listing Rules. For the year ended 31 December 2018, the Company strictly complied with the aforementioned code provisions.

II. SUBSTANTIAL INTERESTS AND SHORT POSITIONS OF THE COMPANY HELD BY SUBSTANTIAL SHAREHOLDERS

Details are set out in the section headed Shareholdings of Substantial Shareholders under the Directors' Report in this report.

III. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Hong Kong Listing Rules. Upon making specific enquiries, the Company confirmed that all Directors and supervisors had complied with the Model Code throughout the year of 2018.

IV. INTRODUCTION TO SHAREHOLDERS' GENERAL MEETING

In order to ensure that all Shareholders enjoy equal status and effectively exercise their own rights, the Company convenes Shareholders' general meetings every year in accordance with the Articles of Association. Pursuant to the Articles of Association, an extraordinary general meeting shall be convened within two months upon request in writing by Shareholders holding independently or jointly 10% or above of the outstanding shares of the Company conferring a right to vote. The relevant documents must state the objective of the meeting and be served to all Shareholders. The Shareholders may raise questions to the Board and may raise their opinions at the Shareholders' general meeting. The contact information of the Company is set out in the section headed "Company Profile" in this report.

Session of meeting	Date of meeting	Website for disclosure of the resolution	Date of disclosure of the resolution
2017 annual general meeting	25 June 2018	The websites of the SSE, the HKSE and the Company	25 June 2018
2018 first extraordinary general meeting	23 October 2018	The websites of the SSE, the HKSE and the Company	23 October 2018

Shareholders' General Meeting:

A total of eight resolutions including resolutions on the Company's directors' report for 2017 and supervisory committee's report for 2017 were considered at the 2017 annual general meeting.

A total of three resolutions including resolutions on the election of Executive Directors and Non-executive Directors for the fourth session of the Board of the Company, the election of Independent Non-executive Directors for the fourth session of the Board of the Company and the election of shareholder representative Supervisors of the Company were considered at the 2018 first extraordinary general meeting.

V. PERFORMANCE OF DUTIES BY DIRECTORS

Under the Articles of Association, the Board has the following principal responsibilities: to decide the Company's operational plans and investment plans; to set up the Company's annual financial budgets and final accounts plans; to work out the Company's profit distribution plans and plans to offset losses; to decide the structure of the Company's internal management organ; to appoint or remove the Company's president, chief financial officer or the secretary to the Board and to appoint or remove the Company's vice president in accordance with the nomination of the president; and to discharge other functions assigned by the Shareholders' general meeting and the Articles of Association.

The Board is responsible for supervising the preparation of financial statements for every financial period to ensure that the financial statements give a true and fair view of the financial position, results and cash flow performance of the Company during the period. When preparing the financial statements for the year ended 31 December 2018, the Board has selected applicable accounting policies, and made prudent, fair and reasonable judgments and estimations and prepared the financial statements on an ongoing basis. The statement of responsibilities of the international auditors is set out in the independent auditor's report of this report.

Corporate Governance Report

During the reporting period, all members of the Board actively participated in continuous professional training, including professional training sessions provided by the Company, which helped to keep them updated with the latest knowledge and techniques. It is ensured that all members can contribute to the Board in an appropriate and well-informed manner.

Apart from the working relationships in the Company, there was no financial, business, family relationship or other material relationship among the Directors, Supervisors and senior management of the Company.

(1) Attendance at Board Meeting and Shareholders' General Meeting

		Attendance at the Board meeting						
Name of director	Independent or not	Required attendance at Board meetings this year	Attendance in person	Attendance by telecommunication	Attendance by proxy	Absence	Absent at two meetings in a row	Attendance at Shareholders' general meeting
Li Yanjiang	No	5	5	0	0	0	No	2
Peng Yi	No	5	5	0	0	0	No	2
Liu Zhiyong	No	4	4	0	0	0	No	2
Du Ji'an	No	5	5	0	0	0	No	2
Niu Jianhua	No	5	5	0	0	0	No	2
Xiang Xujia	No	4	4	0	0	0	No	2
Zhang Ke	Yes	5	5	0	0	0	No	1
Zhang Chengjie	Yes	5	5	0	0	0	No	2
Leung Chong Shun	Yes	5	5	0	0	0	No	2
Zhao Rongzhe	No	1	1	0	0	0	No	0
Xu Qian	No	1	1	0	0	0	No	0

Note: Liu Zhiyong and Xiang Xujia retired on 23 October 2018 due to expiry of term of office. Zhao Rongzhe and Xu Qian were elected as Directors of the fourth session of the Board on 23 October 2018.

During the reporting period, the attendance rate of all Directors at the Board meetings was 100%. The Company complied with all relevant code provisions in terms of the number of Board meetings held, procedures for convening Board meetings, minutes and records of Board meetings, rules of meetings and related matters. The attendance rate reflected that all Directors were diligent and responsible and were dedicated to promoting the interests of the Company and Shareholders as a whole.

During the reporting period, the attendance of Directors Li Yanjiang, Peng Yi, Liu Zhiyong, Du Ji'an, Niu Jianhua, Xiang Xujia, Zhang Chengjie and Leung Chong Shun at Shareholders' general meetings was 100% and the attendance rate of Director Zhang Ke was 50%. None of the Directors was absent at two Board meetings in a row.

Number of Board meetings held during 2018	5
Including: Number of meetings held on-site	5
Number of meetings held by telecommunication	0
Number of meetings held on-site and by telecommunication	0

In 2018, the Board convened a total of five meetings, at which all the resolutions were passed after consideration. Details of the meetings are as follows:

1. The first meeting for 2018 of the third session of the Board convened on 20 March 2018 considered and approved 15 resolutions in relation to the Annual Report for 2017 of the Company and its summary, Annual Results Announcement for 2017, Directors' Report for 2017 of the Company, financial report for 2017 of the Company, proposed profit distribution plan for 2017 of the Company, production and operation plans for 2018 of the Company, capital expenditure plan for 2018 of the Company, financial plans for 2018 of the Company, appointment of auditors for review of the interim financial report for 2018 and audit of the annual financial report for 2018, special report on deposit and actual application of the proceeds from the A share issuance by the Company for 2017, remunerations of the Directors and Supervisors of the Company for 2018, Assessment Report Regarding Internal Control for 2017 of the Company, Social Responsibility Report for 2017 of the Company, negotiated transfer of "Three Supplies and One Property" asset in Shanghai Energy Company, negotiated transfer of Municipal Community Facility Asset in Shanghai Energy Company and negotiated transfer of "Three Supplies and One Property" Asset in Beijing Coal Mining Machinery Company. The three reports in regard to the performance of the capital expenditure plan for 2017, the feasibility study report on Dahaize coal mine and coal preparation plant of China Coal Shanxi Yulin Energy & Chemical Company Limited, and the implementation of resolutions of the Board of the Company for 2017 were heard at the meeting.

2. The second meeting for 2018 of the third session of the Board convened on 27 April 2018 considered and approved 4 resolutions in relation to the first quarterly report for 2018 of the Company, operational performance assessment indicators of senior management for 2018 of the Company, acquisition by China Coal Huajin Company of 100% equity interests in SDIC Jincheng Energy Investment Co., Ltd. held by China Coal Group and convening of 2017 annual general meeting of the Company. The five reports in regard to the equity participation in Sujin Energy Holding Company Limited by China Coal Pingshuo Group, the confirmation of the subscribed shareholding ratio of Mengxi-Huazhong Railway Company, audit of key projects of the Company for 2017 and annual schedule for 2018, safety and health work completion progress for 2017 and work arrangement for 2018, energy conservation and environmental protection work completion progress for 2017 and work arrangement for 2018 were heard at the meeting.

3. The third meeting for 2018 of the third session of the Board convened on 21 August 2018 considered and approved 7 resolutions in relation to the interim report for 2018 of the Company, special report on deposit and actual application of the proceeds from the A share issuance in the first half of 2018 of the Company, election of Executive Directors and Non-executive Directors for the fourth session of the Board of the Company, election of Independent Non-executive Directors for the fourth session of the Board of the Company, additional capital contribution to Huajin Coking Coal Co., Ltd., acquisition of China Coal Electric Company Limited by Equipment Company and the convening of the first extraordinary general meeting of the Company for 2018.

4. The fourth meeting for 2018 of the third session of the Board convened on 23 October 2018 considered and approved 3 resolutions in relation to the third quarterly report for 2018 of the Company, provision of guarantee for Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited by the Company in proportion to shareholding, remuneration payment plan of senior management of the Company for 2017 and annual base salary plan for senior management of the Company for 2018. The report in regard to material risk management and control of the Company for 2018 was heard at the meeting.

5. The first meeting for 2018 of the fourth session of the Board convened on 23 October 2018 considered and approved 5 resolutions in relation to the election of Chairman of the Company, election of Vice Chairman of the Company, members of the special committees of the Board of the Company, appointment of senior management such as President of the Company, appointment of Vice President of the Company. The report in regard to the matters relating to the implementation of the coal mine capacity replacement quota transaction was heard at the meeting.

(2) Performance of Duties by Independent Non-executive Directors

There are currently three independent non-executive Directors in the Board. The Work System of Independent Directors of the Company clearly defines the employment requirements, independence, nomination, election and replacement criteria, and the duties and obligations of independent Directors. In addition to the duties empowered by the Company Law, Hong Kong Listing Rules, SSE Listing Rules and other relevant laws and regulations such as reviewing material connected transactions, the Company also empowers the independent Directors with the duty to propose to appoint or remove accounting firms to the Board and other duties.

During the reporting period, the independent Directors strictly complied with all relevant laws and regulations including the Company Law, Guidance on Establishing Independent Directors System in Listed Companies, Provisions on Strengthening the Protection of the Rights and Interests of Public Shareholders as well as the rules and requirements under the Articles of Association, the Work System of Independent Directors and the Annual Report Work System of Independent Directors. Independent non-executive Directors performed their duties independently and attended relevant meetings in 2018, investigated thoroughly in the Company's subsidiaries, seriously took part in the decision-making of the Company's significant matters, expressed independent opinions on relevant matters of the Company, and provided constructive advice and recommendations regarding the corporate governance, reform development and production and operation of the Company. During the course of performance of duties, independent Directors upheld the legal rights of Shareholders, especially the minority Shareholders independently and objectively, fully exploiting the functions of independent Directors.

For the attendance of independent non-executive Directors at Board meetings and Shareholders' general meetings, please refer to the sections on the attendance at Board meetings and Shareholders' general meetings of the Company.

(3) Implementation of Resolutions Passed at the Shareholders' General Meetings by the Board in 2018:

No.	Shareholders' General Meeting	Subject Matter	Status
1	2017 annual general meeting	To approve the appointment of external auditors for 2018	Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu were appointed as auditors for 2018 to provide review and audit services regarding the annual financial report in accordance with PRC GAAP and IFRS respectively
2	2017 annual general meeting	To approve the profit distribution plan for 2017	The final dividends for 2017 were paid to the A-share and H-share Stockholders respectively in July and August 2018.

VI. PERFORMANCE OF DUTIES OF THE COMMITTEES UNDER THE BOARD DURING THE REPORTING PERIOD

As of 31 December 2018, there are five special committees under the Board, details of which are set forth below:

Special Committees	Third Session Chairman	Members
Audit and risk management committee	Zhang Ke	Zhao Rongzhe, Xu Qian, Zhang Chengjie, Leung Chong Shun
Strategic planning committee	Li Yanjiang	Peng Yi, Du Ji'an, Niu Jianhua, Xu Qian, Zhang Chengjie
Remuneration committee	Leung Chong Shun	Du Ji'an, Zhang Ke
Nomination committee	Zhang Chengjie	Li Yanjiang, Zhang Ke
Safety, health and environmental protection committee	Peng Yi	Niu Jianhua, Leung Chong Shun

(1) Audit and Risk Management Committee

The audit and risk management committee comprises three independent non-executive Directors and two non-executive Directors. The Work Manual of the Audit and Risk Management Committee of the Board clearly defines the status, composition, terms of reference, decision-making procedures as well as rules of procedure of the audit and risk management committee. The audit and risk management committee is mainly responsible for supervising the truthfulness and completeness of the Company's financial statements, as well as the effectiveness of the Company's internal control and risk management system; engaging accounting firm and supervising its work; supervising and inspecting the financial management, risk management and internal control of the Company; reviewing the Company's annual and interim reports and profit announcements; preparing significant accounting policies and practices adopted by financial reports; and establishing a procedure for handling complaints regarding accounting and audit matters, potential illegal acts and doubtful accounting or audit matters. The responsibilities of the audit and risk management committee comply with the relevant requirements of the Hong Kong Listing Rules. The audit and risk management committee is accountable to the Board.

In 2018, the audit and risk management committee held a total of six meetings, at which the resolutions such as the Company's annual report, financial report and internal control report were considered, and the audit opinions of Deloitte Touche Tohmatsu Certified Public Accountants LLP on the Company's financial report for 2017 and the reports on the audit plan of the Company for 2018 were heard. All the resolutions were approved at respective meetings and all the members of the audit and risk management committee attended all the six meetings in person.

(2) Strategic Planning Committee

The strategic planning committee comprises three executive Directors, two non-executive Directors and one independent non-executive Director. The Work Manual of the Strategic Planning Committee of the Board clearly defines the status, composition, terms of reference, decision-making procedures as well as rules of procedure of the strategic planning committee. The strategic planning committee is mainly responsible for conducting studies regarding the Company's long-term development strategy, material investments, financing, capital operation plans, capital expenditure plans and providing recommendations to the Board, and is entitled to examine the implementation of the aforesaid matters. The responsibilities of the strategic planning committee comply with the relevant requirements of the Hong Kong Listing Rules. The strategic planning committee is accountable to the Board.

In 2018, the strategic planning committee held one meeting, at which the resolutions such as the resolutions in relation to the 2017 annual report and 2018 capital expenditure plan were considered and the report on the performance of the 2017 capital expenditure plan was heard. All the resolutions were approved at the meeting. All the members of the strategic planning committee attended the meeting.

(3) Remuneration Committee

The remuneration committee comprises two independent non-executive Directors and one non-executive Director. The Work Manual of the Remuneration Committee clearly defines the status, composition, terms of reference, decision-making procedures as well as rules of procedure of the remuneration committee. The major responsibilities of the remuneration committee are to submit remuneration policies for the Directors and the senior management to the Board, to propose to the Board the remuneration of the Directors and the senior management, and assess the performance of the senior management. The responsibilities of the remuneration committee comply with the relevant requirements of the Hong Kong Listing Rules. The remuneration committee is accountable to the Board.

In 2018, the remuneration committee held three meetings, at which the resolutions such as the resolutions in relation to the remunerations of the Directors and Supervisors for 2018, operational performance assessment indicators for senior management for 2018, as well as remuneration payment plan for senior management for 2017 and annual base salary plan for senior management for 2018 were considered. All the resolutions were approved at the meetings and all the members of the remuneration committee attended all the three meetings in person.

(4) Nomination Committee

The nomination committee comprises one executive Director and two independent non-executive Directors. The Work Manual of the Nomination Committee of the Board clearly defines the status, composition, terms of reference, decision-making procedures as well as rules of procedure of the nomination committee. It particularly requires that the chairman of the nomination committee is to be elected from the independent non-executive Directors. The major responsibilities of the nomination committee are to conduct studies regarding the election criteria and procedures for the Directors and senior management of the Company, review the candidates for the Directors and senior management and give recommendations to the Board, and to assess the independence of the independent non-executive Directors. The responsibilities of nomination committee comply with the relevant requirements of the Hong Kong Listing Rules. The nomination committee is accountable to the Board.

Pursuant to the relevant provisions of the Corporate Governance Code, Appendix 14 of the Hong Kong Listing Rules, the nomination committee developed the diversity policies of the Board, including:

1. When recommending director candidates to the Board or examining the size and composition of the Board, the nomination committee should thoroughly consider and evaluate the diversity of the members of the Board, as well as objectively determine the potential contribution to be made by the candidates to the Company, thus allowing the Board to be diversified in views and perspectives when performing its duties, composing the best combination of Board members that suit the operational features of the Company and enhancing the efficiency and performance of the Board.

2. A diversified composition of the Board will be based on a series of factors, including but not limited to age, cultural background, educational background, professional qualifications, experience, skills level and knowledge as well as other qualities. The nomination committee should determine the parameters of the diversity factors according to the business development and strategic planning of the Company at different times and stages, as well as review the member diversification progress of the Board and give recommendations (if needed) to the Board for improvement.

3. In 2018, upon the expiry of the term of service of the third session of the Board, when nominating the director candidates of the fourth session of the Board, the nomination committee made recommendations on aspects such as the diversity of the fourth session of the Board according to the current situation of the Company. It is recommended that Directors of the fourth session of Board should comprise candidates with abundant experience in corporate operation and management, corporate governance, laws, finance, auditing, and human resources.

In 2018, the nomination committee held two meetings, at which the resolutions in relation to the election of Executive Directors and Non-executive Directors of the fourth session of the Board of the Company, the election of Independent Non-executive Directors of the fourth session of the Board of the Company, the appointment of senior management such as President of the Company and the appointment of Vice President of the Company were considered. All the resolutions were approved at the meetings and all the members of the nomination committee attended all the two meetings in person.

(5) Safety, Health and Environmental Protection Committee

The safety, health and environmental protection committee under the Board comprises two executive Directors and one independent non-executive Director. The Work Manual of the Safety, Health and Environmental Protection Committee clearly defines the status, composition, terms of reference, decision making procedures as well as rules of procedure of the safety, health and environmental protection committee. The safety, health and environmental protection committee is mainly responsible for the implementation of the Company's safety, health and environmental protection plans, supervision of the potential responsibilities, changes of laws and regulations and technological transformation related to safety, health and environmental protection issues. The safety, health and environmental protection committee is accountable to the Board.

In 2018, the safety, health and environmental protection committee held one meeting, at which the resolutions such as the 2017 annual report and the 2017 social responsibility report were considered, All the resolutions were approved at the meeting and all the members of the safety, health and environmental protection committee attended the meeting.

VII. CORPORATE GOVERNANCE FUNCTION OF THE BOARD

The Board is responsible for performing the following corporate governance functions: to formulate and review the Company's corporate governance policies and practices and make recommendations to the Board; to review and monitor the training and continuous professional development of the Directors and senior management of the Company as well as the Company's policies and practices in legal compliance and regulatory requirements; to formulate, review and monitor the Code of Conduct and Compliance Manual (if any) for employees and the Directors; to review the Company's compliance with the Corporate Governance Code and disclosures made in the Corporate Governance Report; to formulate and review regularly the Shareholders' communications policies to ensure their effectiveness.

During the reporting period, the Board reviewed a series of corporate governance documents and monitored the implementation of these documents from time to time; reviewed and keenly organised training and continuous professional development for the Directors and senior management; reviewed and monitored the Company to identify any violation of laws and regulatory requirements; approved the Company's Corporate Governance Report for 2017 and authorised the disclosure of the same on the HKSE Website and the Company Website; and formulated, reviewed and monitored Shareholders communication policies to ensure their effectiveness.

VIII. THE COMPOSITION OF THE COMPANY'S MANAGEMENT AND ITS RESPONSIBILITIES

The Company's management team comprises one president and four vice presidents. The president is accountable to the Board. The responsibilities of the management are to take charge of the Company's production, operation and management; to organise resources to implement the Board's resolutions and the Company's annual operational plans and investment plans; to draw up the proposals regarding the structure of the Company's internal management organ and the basic management system of the Company; to formulate the Company's basic rules and regulations; to propose appointment or removal of the Company's vice presidents (managers); to appoint or remove the Company's management other than those who should be appointed or removed by the Board; and all other duties assigned by the Articles of Association and the Board.

IX. THE CHAIRMAN AND THE PRESIDENT

In 2018, the Company's chairman was Mr. Li Yanjiang and its president was Mr. Niu Jianhua. The chairman and the president are two different positions with clearly delineated responsibilities. The chairman does not serve as the president concurrently, and the responsibilities and functional division of the chairman and the president are also clearly set out in writing. For details, please refer to the Articles of Association. Senior management of the Company other than Directors and Supervisors are responsible for the Company's daily business operations and their duties are set out in the section headed Directors, Supervisors, Senior Management and Employees of this report.

X. INSURANCE ARRANGEMENT

Pursuant to Provision A1.8 under the Corporate Governance Code and the Corporate Governance Report set out in Appendix 14 of the Hong Kong Listing Rules, the Company should purchase appropriate insurance to cover potential legal actions against its Directors. The Company has renewed its liability insurance purchased for its Directors, Supervisors and senior management.

XI. REMUNERATION OF AUDITORS

In 2018, the Group's international auditor was Deloitte Touche Tohmatsu, and the domestic auditor was Deloitte Touche Tohmatsu Certified Public Accountants LLP. The Group's annual audit fees as of 31 December 2018 was RMB11,000,000 in aggregate (including Shanghai Energy Company), of which audit fees for internal control amounted to RMB900,000.

XII. SUPERVISORS AND SUPERVISORY COMMITTEE

The Supervisory Committee comprises three Supervisors, including two shareholder representatives and one employee representative. The Supervisory Committee is accountable to the Shareholders' general meeting and reports its work to the general meeting. With a view to protecting the interests of the Company and its shareholders, all members of the Supervisory Committee discharged their powers, duties and obligations with the utmost conscientiousness and lawfully exercised their supervisory functions in strict compliance with the requirements of the Rules of Procedures of the Supervisory Committee.

The principal duties of the Supervisory Committee are to supervise, inspect and assess the Company's operation in accordance with the laws, the financial affairs of the Company and whether the Directors and senior management of the Company have performed their duties lawfully.

The Supervisory Committee held four meetings during the reporting period.

Attendance details of the meetings of the Supervisory Committee are as follows:

Supervisor	Attendance in person	Attendance by proxy	Attendance rate (%)
Zhou Litao	2	2	100
Wang Wenzhang	4	0	100
Zhang Shaoping	4	0	100

XIII. ESTABLISHMENT AND IMPLEMENTATION OF ANCILLARY MECHANISMS

(1) Management of Connected Transactions

The Company strictly adheres to the provisions of the Listing Rules of the stock exchanges where the Company's shares are listed, the Implementation Guidelines of the Shanghai Stock Exchange on Connected Transactions of Listed Companies, Management Measures on Connected Transactions and the Detailed Rules for the Implementation of the Management Measures for Connected Transactions of the Company to manage and regulate various connected transactions. Necessary connected transactions were carried out in a reasonable manner in accordance with the routine connected transactions and their caps considered and approved by the Board and Shareholders' general meeting of the Company. The consideration of connected transactions is determined in accordance with the pricing principle stipulated in the framework agreement, therefore is fair and reasonable and in the interest of the Shareholders as a whole.

The Company remained committed to its connected transaction budget management, monthly monitoring, cap alert and regular discussion mechanisms to reinforce the management foundation through the strengthening of compliance training, in-depth research and study, dynamic management and the regular update of connected party lists. With the help of electronic statistic software, the Company controlled the actual monthly amounts of connected transactions, analysed and studied problems of related enterprises identified in the course of management of connected transactions to instruct and urge related enterprises to eliminate hidden problems, thus ensuring the continuing connected transactions do not exceed the annual caps. The Company further implemented an internal mechanism for reporting important information, and dynamically monitored and controlled the non-continuing connected transactions, to ensure the approval and disclosure procedures for non-continuing connected transactions were conducted in a timely manner.

By adopting various effective measures, such as strengthening the implementation of systems for management of connected transactions and solidifying the foundation for management of connected transactions, the Company further improved its standards for management and control of connected transactions and ensured the compliance of various connected transactions with the laws and regulations and regulatory requirements during the reporting period.

(2) Establishment of Internal Control System and Internal Control Audit

1. *Statement of the Board*

In accordance with the regulations of enterprise internal control regulated systems and the relevant requirements under the Corporate Governance Code and the Corporate Governance Report of the HKSE, the Board is responsible for the risk management and internal control systems of the Company and its subordinate enterprises and reviewing their effectiveness. These risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Company has effective procedures in relation to financial reporting and compliance with the requirements of the Hong Kong Listing Rules.

2. *Development of the Risk Management and Internal Control Systems of the Company*

(1) The risk management and internal control systems of the Company

The Company has established a standardised and sound corporate governance and control structure in accordance with modern corporate systems, aiming to achieve coordinated operation and standardised management. The structure clearly defines the terms of reference, employment requirements, rules of procedures and work procedures of decision-making level, management level and executive level, and ensures the separation of decision making, execution and supervision as well as maintains its effective check and balance, ensuring scientific decision-making and the effectiveness of implementation. The Company has established risk management and internal control systems in the headquarter and subordinate enterprises with scientific decision-making, efficient execution and effective supervision based on institutional building, with an aim to achieve decision-making based on scientific methods, efficient execution and effective supervision and focusing on the main direction of "Target, Risk and Control". Subject to the Articles of Association, the Company will continue to improve rules and regulations such as Rules of Procedures of the Board of Directors, Rules of Procedures of the Audit and Risk Control Committee, Internal Control Management Handbook, Internal Control Evaluation Handbook, Workflow Handbook and Appraisal Measures for Comprehensive Risk Management and Internal Control. The Company has promoted the effective operation of its risk management and risk control systems through establishing an effective organisational function system for risk management and internal control, which provides reasonable assurance for the Company to achieve strategic goals and sustainable development.

(2) The composition of the Company's risk management and internal control systems

The Company's risk management and internal control systems have "Three Lines of Defense", which is comprised of the decision-making body of risk management, the functional body of risk management and the responsible body of risk management. The "Three Lines of Defense" are neither established alone nor could be replaced by the others. They complement and strengthen each other and are designated to correct deviation, as well as prevent and control risks.

The First Line of Defense: all departments at headquarter and their subordinate enterprises. It is responsible for the risk management of business lines. It is the bearer of specific risks as well as the department which is directly responsible for risk management.

The Second Line of Defense: the functional body of risk management. It is mainly responsible for the overall organisation, coordination and planning, formulating the risk management systems, procedures of the Company, and supervising their implementation. It is also responsible for coordinating, promoting and supervising the effectiveness of the risk management and internal control under the First Line of Defense and at the same time, undertakes the core management and organisation functions of material risks.

The Third Line of Defense: the audit and risk management committee of the Company. It is responsible for supervising and examining the financial management, risk management and internal control of the Company, reviewing the risk assessment and management policies of the Company, assessing the nature and extent of the risks that the Company is willing to take in achieving its strategic objectives, and ensuring that the Company establishes effective risk management and internal control systems.

The “Three Lines of Defense” work together and establish an error correction mechanism to effectively control deviation and risks, thus laying a solid foundation for risk management and improving operating efficiency. In addition, the Board and its audit and risk management committee are responsible for identifying, analysing, monitoring and managing material risks as well as the overall management and supervision of the “Three Lines of Defense” and their effective operation, pushing forward the implementation and improvement of the Company’s risk management.

(3) Procedures for identifying, assessing and managing material risks

The Company has set up procedures to identify, assess and manage material risks based on assessment basis, assessment dimension, risk rating and dispersion.

Firstly, the Company grades risks from aspects of assessment basis, assessment dimension, risk rating and dispersion:

In respect of assessment basis: risks will be graded by reference to the risks currently controlled by the Company (without taking into account the risks that may be controlled by the Company in the future).

In respect of assessment dimension: each risk will be graded according to the possibility of their occurrence and their impacts. The possibility represents the probability that a risk may occur, the impact represents the economic, operating, reputation and other losses that the risk may incur, and both adopt five-mark systems. Value at risk = probability × impacts, and as a result, value at risks ranges from 1-25 and the higher the value at risk, the greater the risks.

In respect of risk rating: risks are classified into three levels, namely high, medium and low, in accordance with risk assessment standard based on the value at risk calculated.

In respect of dispersion: dispersion represents the extent that a group of figures deviate from the average number, and the smaller the dispersion, the more consistent the assessment results.

Through identifying and assessing risks, the risks faced by the Company are categorized into 5 primary risks including strategic risk, financial risk, market risk, operational risk and legal risk and 70 secondary risks.

Secondly, the Company calculates the final assessment results of each risk after considering the grade of each assessment, pursuant to which the material risks faced by the Company during the year are assessed.

(4) Procedures and internal control measures for handling and dissemination of insider information

The Company has established special insider information management systems such as the Registration System for Persons with Insider Information, Internal Reporting System for Material Information and Information Disclosure Management System. The systems above set out the procedures and internal control measures for disseminating and issuing insider information, including: persons with insider information such as directors, supervisors, senior management, and persons in charge of each department, branches, subsidiaries and other related subsidiaries of the Company have the responsibility of reporting the insider information that they are informed of within their authorities to the secretary to the Board who shall report to the chairman and senior management of the Company in a timely manner after receiving such report. For insider information which requires the Board and Shareholders' general meetings to consider and approve or require the Company to fulfill its responsibility of information disclosure, the secretary to the Board shall propose to the Board and the Supervisory Committee to conduct corresponding procedures and disclose such information in accordance with relevant requirements to the public.

For accidental material insider information which the Company is informed of, the secretary to the Board is able to effectively communicate with directors, supervisors, senior management and persons in charge of each department, branches, subsidiaries and other related subsidiaries of the Company in an active and timely manner, ensuring that the Company will fulfill the insider information disclosure procedure in accordance with laws and regulations. Meanwhile, the Company has established a regular compliance meeting system to discuss whether insider information should be disclosed and review the effectiveness of insider information management on a monthly basis.

(5) Measures for responding to material internal control deficiency

Based on major objectives for the year and areas that may incur material business risks, in respect of the material risks assessed for the year, the Company has adopted detailed measures for controlling the material risks, tracked the effectiveness of the risk control in a timely manner, and determined the subject responsible for material risk control and its terms of references. As for the significant control failure or weakness that has been identified during the reporting period and the extent to which they have resulted in unforeseen outcomes or contingencies, the Company's responsible body of risk management shall report to the risk management functional department, the Board and its audit and risk management committee in a timely manner, and be responsible for identifying and analysing the material impacts that such outcomes or contingencies have had, could have had, or may in the future have on the Company's financial performance or conditions, and making risk management emergency plans in a timely manner. The risk management functional department and the Board will supervise the implementation of such emergency plans, analyse and assess the impact that such matter has on the Company again, and fully assess and analyse the feasibility of the emergency plans.

3. *Review of Risk Management and Internal Control Systems*

The Board regularly organises and conducts a review of the internal risk management and internal control system of the headquarter and subordinate enterprises, formulates the overall plan and objectives for the internal review of risk management and internal control systems, and carries out education and trainings regarding risk management and internal control every year. For the year ended 31 December 2018, the Board has conducted 2 reviews of the effectiveness of the internal risk management and internal control systems of the headquarter and its subordinate enterprises, the scope of which covered each and every key aspect of the control systems including the financial control system, operation control system and compliance control system, such as development strategy management, investment management, contract management, finance management, capital raising management, material purchase management, infrastructure project management, safety production management, sales management, property right management, human resource management, and quality and technology management. After the reviews, the Company was of the view that the headquarters and subordinate enterprises had set up internal audit function, and the internal risk management and internal control systems of the headquarters and subordinate enterprises were effective and sufficient.

In order to reasonably ensure the effectiveness of the risk management and internal control systems, and the quality of the internal review, the Board authorises the risk management and internal control departments to supervise and inspect the effectiveness of reviewing the internal risk management and internal control systems of subordinate enterprises every year. The scope of the supervision and inspection cover the effectiveness of the Company's risk management and internal control systems, the changes in the nature and extent of material risks assessed during the year, the Company's ability to respond to changes in its business and the external environment, the scope and quality of ongoing monitoring of risks and of the internal control systems, the work of the internal audit function and its assurance providers, and significant control failure or weakness that has been identified during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that may in the future have a material impact on the Company's financial performance. In respect of the supervision and inspection above and the effectiveness of the Company's risk management and internal control systems, the control results will be reported by the risk management and internal control departments to the Board and its audit and risk management committee, thus helping the Board to assess the effectiveness of the Company's control and risk management.

4. Internal Audit

According to the Identification Standards for Significant Defects of Risk Management and Internal Control of the Company, during the year ended 31 December 2018, there were no significant defects in the risk management and internal control of the Company, and the Board was of the view that the Company had maintained, in all material respects, effective internal control over financial reporting in accordance with the risk management and internal control systems and relevant financial reports and in compliance with the requirements of the Hong Kong Listing Rules.

Deloitte Touche Tohmatsu Certified Public Accountants LLP had audited the effectiveness of the Company's internal control in relation to financial reports and provided a report with standard unqualified opinions.

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF
CHINA COAL ENERGY COMPANY LIMITED
中國中煤能源股份有限公司
(incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of China Coal Energy Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 109 to 261, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Deloitte. 德勤

TO THE SHAREHOLDERS OF
CHINA COAL ENERGY COMPANY LIMITED (continued)
中國中煤能源股份有限公司
(incorporated in the People's Republic of China with limited liability)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on coal mines related non-current assets We identified impairment assessment on coal mines related non-current assets owing to the significance of the carrying amount of the non-current assets and the significant judgment made by the management in determining the recoverable amounts of the corresponding cash generating unit ("CGUs"). As set out in Note 6(a) to the consolidated financial statements, the management identified the non-current assets relating to two underperform coal mines having impairment indications. The management performed impairment assessment to the related CGUs and recognised impairment losses amounting to RMB0.10 billion for the year ended 31 December 2018. The carrying amount of these assets amounted to RMB6.60 billion (after taking into account the accumulated impairment losses). The impairment assessment involves the management's judgment in certain areas including the future coal price, production volume, cost of production, capital expenditures and the discount rate.	Our procedures in relation to impairment assessment on coal mines related non-current assets included: • Evaluating the design and implementation of the controls relevant to our audit on the impairment of the Group's non-current assets; • Identifying the key cash flow items in the cash flow projection based on the sensitivity analysis and challenging the basis of preparation of these cash flow items by reference to our knowledge of the related business and industry; • Involving internal specialist to develop an expected discount rates to compare with the discount rates used by management in impairment tests and investigating material differences, if any; • Comparing the current year actual results with the forecast information used in last year impairment assessment and investigating the causes of significant variances and checking whether these causes were considered and incorporated appropriately in the current year's impairment assessment; • Comparing input data to supporting evidence, including approved budgets and reviewing the consistency on the basis of preparation of the approved budgets with the approved budgets used in the last year's impairment assessment; and • Checking the arithmetical accuracy on the calculation of the present value of the discounted cash flows forecast prepared by the management.

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF
CHINA COAL ENERGY COMPANY LIMITED (continued)
中國中煤能源股份有限公司
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OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Deloitte. 德勤

TO THE SHAREHOLDERS OF
CHINA COAL ENERGY COMPANY LIMITED (continued)
中國中煤能源股份有限公司
(incorporated in the People's Republic of China with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Deloitte. 德勤

TO THE SHAREHOLDERS OF
CHINA COAL ENERGY COMPANY LIMITED (continued)
中國中煤能源股份有限公司
(incorporated in the People's Republic of China with limited liability)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Wong Tin Chak, Samuel.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
15 March 2019

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	*8*	**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	*12*	**(85,883,001)**	(65,906,243)
Gross profit		**18,257,065**	15,606,317
Selling expenses	*12*	**(679,078)**	(626,700)
General and administrative expenses	*12*	**(4,679,783)**	(4,100,447)
Other income		**4,810**	79,537
Other gains and losses	*9*	**(915,043)**	(1,410,932)
Impairment losses, net of reversal	*11*	**(136,397)**	(251,696)
Profit from operations		**11,851,574**	9,296,079
Finance income	*10*	**702,878**	566,967
Finance costs	*10*	**(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	*15*	**(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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	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)***	17	**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	*18*	**131,907,922**	130,501,423
Investment properties		**83,458**	85,715
Mining rights	*19*	**35,552,718**	32,784,227
Intangible assets	*20*	**1,689,402**	1,705,868
Land use rights	*21*	**5,320,455**	5,019,707
Goodwill		**6,084**	6,084
Investments in associates	*22*	**16,860,313**	16,376,591
Investments in joint ventures	*22*	**2,966,392**	2,626,321
Equity instruments at fair value through other comprehensive income	*23*	**4,563,851**	–
Available-for-sale financial assets	*24*	**–**	3,491,691
Deferred income tax assets	*38*	**2,838,271**	2,783,767
Long-term receivables	*25*	**560,950**	462,139
Other non-current assets	*26*	**6,772,189**	6,569,587
		209,122,005	202,413,120
Current assets			
Inventories	*27*	**8,252,752**	7,662,087
Trade receivables	*28*	**4,881,389**	6,799,874
Notes receivables	*28*	**–**	9,038,690
Debt instruments at fair value through other comprehensive income	*28*	**9,989,407**	–
Contract assets	*29*	**1,014,869**	–
Prepayments and other receivables	*30*	**7,445,110**	7,266,042
Restricted bank deposits	*31*	**3,351,932**	2,469,442
Term deposits with initial terms of over three months	*31*	**12,155,112**	6,174,311
Cash and cash equivalents	*31*	**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	*32*	**23,252,942**	22,912,526
Contract liabilities	*33*	**2,478,903**	–
Accruals, advances and other payables	*34*	**18,072,853**	15,638,172
Taxes payable		**1,156,547**	1,101,196
Short-term bonds	*35*	**–**	3,000,000
Short-term borrowings	*36*	**6,307,547**	7,596,033
Current portion of long-term borrowings	*36*	**11,845,531**	13,872,506
Current portion of long-term bonds	*37*	**5,979,779**	–
Current portion of provision for close down, restoration and environmental costs	*39*	**13,310**	18,950
		69,107,412	64,139,383

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	As at 31 December 2018 RMB'000	2017 RMB'000 (Restated)
Non-current liabilities			
Long-term borrowings	*36*	**45,317,056**	44,634,977
Long-term bonds	*37*	**27,911,367**	26,866,347
Deferred income tax liabilities	*38*	**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	*39*	**1,450,265**	1,346,848
Deferred revenue	*40*	**1,666,924**	1,698,928
Other long-term liabilities	*41*	**2,483,541**	824,011
		84,924,529	81,438,432
Total liabilities		**154,031,941**	145,577,815
Equity			
Share capital	*42*	**13,258,663**	13,258,663
Reserves	*43*	**46,303,712**	45,437,624
Retained earnings	*43*	**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

The consolidated financial statements on pages 109 to 261 were approved and authorised for issue by the Board of Directors on 15 March 2019, and are signed on its behalf by:

Li Yanjiang	**Chai Qiaolin**	**Chai Qiaolin**
Chairman of the Board	*Chief Financial Officer*	*Manager of Finance Department*
Executive Director		

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to equity holders of the Company					
	Share capital *RMB'000*	Reserves *RMB'000*	Retained earnings *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2017 (originally stated)	13,258,663	43,345,400	29,470,217	86,074,280	16,066,828	102,141,108
Effect of business combination under common control *(Note 3)*	–	287,141	(8,490)	278,651	–	278,651
Balance at 1 January 2017 (restated)	13,258,663	43,632,541	29,461,727	86,352,931	16,066,828	102,419,759
Total comprehensive income						
Profit for the year (restated)	–	–	3,367,239	3,367,239	2,051,640	5,418,879
Other comprehensive income, net of tax	–	6,076	–	6,076	–	6,076
Total comprehensive income (restated)	–	6,076	3,367,239	3,373,315	2,051,640	5,424,955
Appropriations *(Note 43)*	–	1,226,056	(1,226,056)	–	–	–
Share of other change of reserve of associates and joint ventures	–	44,610	(44,610)	–	–	–
Acquisition of subsidiaries under common control in 2018 *(Note 3)*	–	577,019	(442,710)	134,309	160,584	294,893
Acquisition of subsidiaries under common control in 2017 *(Note 43(e))*	–	(39,328)	–	(39,328)	–	(39,328)
Contributions	–	–	–	–	51,173	51,173
Dividends	–	–	(516,851)	(516,851)	(822,251)	(1,339,102)
Loss of control over subsidiaries	–	(9,350)	9,350	–	(387,134)	(387,134)
Others	–	–	(2,782)	(2,782)	–	(2,782)
Balance at 31 December 2017 (restated)	13,258,663	45,437,624	30,605,307	89,301,594	17,120,840	106,422,434

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to equity holders of the Company					
	Share capital *RMB'000*	Reserves *RMB'000*	Retained earnings *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance At 31 December 2017 (originally stated)	**13,258,663**	**44,573,464**	**31,179,158**	**89,011,285**	**17,091,234**	**106,102,519**
Effect of business combination under common control *(Note 3)*	**–**	**864,160**	**(573,851)**	**290,309**	**29,606**	**319,915**
Balance At 31 December 2017 (restated)	**13,258,663**	**45,437,624**	**30,605,307**	**89,301,594**	**17,120,840**	**106,422,434**
Adjustments *(Note 4)*	**–**	**(26,097)**	**131,259**	**105,162**	**(22,551)**	**82,611**
Balance at 1 January 2018 (restated)	**13,258,663**	**45,411,527**	**30,736,566**	**89,406,756**	**17,098,289**	**106,505,045**
Total comprehensive income						
Profit for the year	**–**	**–**	**4,488,337**	**4,488,337**	**2,984,374**	**7,472,711**
Other comprehensive expense, net of tax	**–**	**(167,319)**	**–**	**(167,319)**	**(2,425)**	**(169,744)**
Total comprehensive (expense) income	**–**	**(167,319)**	**4,488,337**	**4,321,018**	**2,981,949**	**7,302,967**
Appropriations *(Note 43)*	**–**	**1,403,569**	**(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)**	**(513,821)**	**(1,384,586)**
Acquisition of non-controlling interests	**–**	**–**	**(88,140)**	**(88,140)**	**(116,827)**	**(204,967)**
Contributions	**–**	**16,523**	**–**	**16,523**	**2,750**	**19,273**
Dividends	**–**	**–**	**(729,375)**	**(729,375)**	**(904,206)**	**(1,633,581)**
Others	**–**	**(70,534)**	**–**	**(70,534)**	**680**	**(69,854)**
Balance at 31 December 2018	**13,258,663**	**46,303,712**	**32,423,108**	**91,985,483**	**18,548,814**	**110,534,297**

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000 (Restated)
Cash flows from operating activities			
Cash generated from operations	45	**23,025,796**	18,964,353
Income tax paid		**(2,611,423)**	(1,412,340)
Net cash generated from operating activities		**20,414,373**	17,552,013
Cash flows from investing activities			
Purchases of property, plant and equipment		**(9,223,320)**	(8,143,430)
Proceeds from disposals of property, plant and equipment		**83,147**	635,305
Purchases of investment properties		**–**	(31,595)
Purchases of land use rights, mining rights and intangible assets		**(204,717)**	(286,168)
Proceeds from disposals of land use rights, mining rights and intangible assets		**5,790**	171,445
Purchases of equity instruments at fair value through other comprehensive income		**(1,080,000)**	–
Proceeds from disposals of available-for-sale financial assets		**–**	13,305
Increase in prepayment for investments		**–**	(697,112)
Cash injections in associates and joint ventures		**(100,000)**	(17,650)
Proceeds from disposals of investment in associates		**2,830**	–
Net cash outflows on disposal of subsidiaries		**–**	(252,689)
Dividends received		**1,086,282**	137,435
Government grants received		**–**	1,171,426
Loan repayment from joint ventures		**402,000**	1,052,000
Loan repayment from parent company and fellow subsidiaries		**4,653,000**	3,920,000
A loan granted to a joint venture		**–**	(102,000)
Loans granted to parent company and fellow subsidiaries		**(4,495,695)**	(5,123,312)
Interest income on loans to fellow subsidiaries		**66,961**	64,589
Interest income on loans to joint ventures		**6,120**	95,697
Interest income on term deposits		**167,317**	30,572
Increase in placement of term deposits with initial terms of over three months		**(5,980,801)**	(2,719,198)
Net cash used in investing activities		**(14,611,086)**	(10,081,380)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Year ended 31 December 2018 *RMB'000*	Year ended 31 December 2017 *RMB'000* (Restated)
Cash flows from financing activities		
Proceeds from borrowings	**19,093,495**	21,360,569
Repayments of borrowings	**(21,625,457)**	(23,208,513)
Contributions from non-controlling interests	**2,750**	51,173
Dividends paid to the Company's shareholders	**(729,375)**	(516,851)
Dividends paid to non-controlling interests	**(731,496)**	(716,701)
Dividends paid to the former shareholder of the subsidiaries acquired from business combination under common control	**–**	(1,930)
Acquisition of non-controlling interest of subsidiaries	**(408,415)**	(173,425)
Acquisition of subsidiaries under common control	**(2,048,517)**	(39,328)
Interest paid	**(5,105,429)**	(4,992,601)
Net proceeds from issuance of long-term bonds	**6,990,081**	997,000
Net proceeds from issuance of short-term bonds	**–**	2,992,500
Repayment of short-term bonds	**(3,000,000)**	(3,000,000)
Bonds issuance costs	**(51,919)**	(50,700)
Addition from acquisition of subsidiaries under common control	**–**	53,917
Net cash used in financing activities	**(7,614,282)**	(7,244,890)
Net (decrease) increase in cash and cash equivalents	**(1,810,995)**	225,743
Cash and cash equivalents, at beginning of the year	**10,176,683**	9,963,524
Net foreign exchange losses	**(12,026)**	(12,584)
Cash and cash equivalents at end of the year	**8,353,662**	10,176,683

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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". Pursuant to the agreement entered into between the Group and China Coal Group for the acquisition of Jincheng Energy, the Group expected to receive the refunds from China Coal Group amounting to approximately RMB663,931,000 due to the adjustment on the charges on transfers of mining rights and the adjusted consideration is approximately RMB1,048,614,000.

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 31 December 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.

3. RESTATEMENTS ARISING FROM BUSINESS COMBINATIONS UNDER COMMON CONTROL (CONTINUED)

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)	Effect of the 2018 Acquisitions	Eliminations	The Group (restated)
	RMB'000	*RMB'000*	*RMB'000*	*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

3. RESTATEMENTS ARISING FROM BUSINESS COMBINATIONS UNDER COMMON CONTROL (CONTINUED)

	The Group (as previously reported) *RMB'000*	Effect of the 2018 Acquisitions *RMB'000*	Eliminations *RMB'000*	The Group (restated) *RMB'000*
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

3. RESTATEMENTS ARISING FROM BUSINESS COMBINATIONS UNDER COMMON CONTROL (CONTINUED)

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)	Reclassification	Effect of the 2018 Acquisitions	Eliminations	The Group (restated)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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 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

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in Notes 5 and 8 respectively.

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

4.1 IFRS 15 Revenue from Contracts with Customers (continued)

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** *RMB'000* **(Restated)**	**Reclassification** *RMB'000*	**Carrying amounts under IFRS 15 at 1 January 2018 (without applying IFRS 9)** *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.

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

4.1 IFRS 15 Revenue from Contracts with Customers (continued)

Summary of effects arising from initial application of IFRS 15 (continued)

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 *RMB'000*	Adjustments *RMB'000*	Amounts without application of IFRS 15 *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 *RMB'000*	Adjustments *RMB'000*	Amounts without application of IFRS 15 *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.

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

4.1 IFRS 15 Revenue from Contracts with Customers (continued)

Summary of effects arising from initial application of IFRS 15 (continued)

Impact on the consolidated statement of cash flows

	As reported *RMB'000*	Adjustments *RMB'000*	Amounts without application of IFRS 15 *RMB'000*
Operating cash flows before movements in working capital			
Changes in working capital:			
Trade and note receivables	**(131,031)**	**(1,017,975)**	**(1,149,006)**
Contract assets	**(1,017,975)**	**1,017,975**	**–**
Accruals, advances and other payables	**4,022,997**	**125,261**	**4,148,258**
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*.

Accounting policies resulting from application of IFRS 9 are disclosed in Note 5.

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

4.2 IFRS 9 Financial Instruments and the related amendments (continued)

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 *RMB'000*	Equity instruments at FVTOCI *RMB'000*	Debt instruments at FVTOCI *RMB'000*	Notes receivables *RMB'000*	Deferred income tax assets *RMB'000*	Deferred income tax liabilities *RMB'000*	Reserves *RMB'000*	Retained earnings *RMB'000*	Non-controlling interests *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**

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

4.2 IFRS 9 Financial Instruments and the related amendments (continued)

Summary of effects arising from initial application of IFRS 9 (continued)

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

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)	IFRS15	IFRS9	1 January 2018 (Restated)
	RMB'000	*RMB'000*	*RMB'000*	*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

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening statement of financial position as at 1 January 2018 as disclosed above.

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

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.

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

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.

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

IFRS 16 Leases (continued)

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB723,130,000 as disclosed in Note 50(b). 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. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standards Board. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments as disclosed in Note 48, which have been measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Group's consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to equity holders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9/IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation is initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, or any of the cash-generating unit within the group of cash generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate and a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9/IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 4)

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

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

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

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

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

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

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

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

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

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 4) (continued)

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognises interest income during the period between the payment from customers and the transfer of the associated goods or services.

Principal versus agent

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below:

- Revenue associated with the sales of coal, coal-chemical products, mining machinery and ancillary materials and other goods is recognised when the goods have been delivered to the customer. Delivery occurs when the products have been transported to the specific location, the risk of the inventories have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.

- Revenue from provision of service is generally recognised in the accounting period in which the services are rendered.

- Dividend income from investments is recognised when the rights to receive payment have been established.

- Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the profit or loss on the straight-line basis over the lease terms.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than that entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve, attributed to non-controlling interests as appropriate.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefit costs

Payments to state-managed retirement benefit schemes and a supplemental defined contribution pension plan approved by the government are recognised as an expense when employees have rendered service entitling them to the contributions. The Group has no further obligation for post-retirement benefits beyond the contributions made.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before income tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred tax assets are reassessed at the end of each reporting year and are recognised to the extent that it has become probable that future taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment, which consists of buildings, mining structures, plant, machinery and equipment, railway structures and motor vehicles, fixtures and others, held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than the construction in progress, which are subject to impairment assessment) less their residual values over their estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The directors reviewed the estimated useful lives of the assets annually based on the Group's historical experience with similar assets and taking into account anticipated technological changes.

Construction in progress intended to be used for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment losses and are amortised based on the units of production method utilising only recoverable coal reserves as the depletion base.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred stripping costs

In the mining of open-pit mines, stripping activities are necessary to remove rocks and soil above the coal body. Actual stripping costs incurred for each accounting period may vary based on the geological condition and the production plan. In the accounting for stripping costs, the portion of stripping costs that are incurred for the coal body to be mined in future years (those that will generate future economic benefits) are capitalised in property, plant and equipment, and are amortised to production cost in the period when the relevant coal ores are mined; and the rest of the stripping costs are recorded in production cost when incurred.

Provisions for close down, restoration and environmental costs

One consequence of coal mining is land subsidence caused by the resettlement of the land at the mining sites. Depending on the circumstances, the Group may relocate inhabitants from the mining sites prior to conducting mining activities or the Group may compensate the inhabitants for losses or damage from close down and land subsidence after the sites have been mined. The Group may also be required to make payments for restoration, rehabilitation or environmental protection of the land after the sites have been mined.

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Close down and restoration costs are provided in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during mine development or during the production phase, based on the net present value of estimated future costs. The cost is capitalised where it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of close down. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision is included in borrowing costs.

Where there is a change in the expected decommissioning and restoration costs, an adjustment is recorded against the carrying value of the provision and related assets, and the effect is then recognised in the consolidated statement of profit or loss and other comprehensive income on a prospective basis over the remaining life of the operation. Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The cost estimates are reviewed and revised at each balance sheet date to reflect changes in conditions.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Technical know-how is capitalised on the basis of the costs incurred to acquire and bring to use the technical know-how. These costs are amortised over estimated useful life of 20 years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over estimated useful lives of 5 years. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 4)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 4) (continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Debt instruments/receivables classified as at FVTOCI

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

(iii) Equity instruments designated as at FVTOCI

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with Note 4)

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

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with Note 4) (continued)

(i) Significant increase in credit risk

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

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

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

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

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with Note 4) (continued)

(i) Significant increase in credit risk (continued)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with Note 4) (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

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

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on below basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- Internal credit ratings.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with Note 4) (continued)

(v) Measurement and recognition of ECL (continued)

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

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

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

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

The Group's financial assets are classified into loans and receivables and AFS financial assets. The Group determines the classification of its financial assets at initial recognition based on their nature and purpose. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018) (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and notes receivables, other receivables, loans to the fellow subsidiaries, restricted bank deposits, term deposits with initial terms of over three months and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any identified impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held to maturity investments or financial assets at FVTPL. The Group designated its investments in unlisted shares that are not traded in an active market as AFS financial assets.

Equity securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of other reserves. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the other reserves is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected. For AFS equity investment measured at fair value, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (before application of IFRS 9 on 1 January 2018) (continued)

In respect of AFS equity investment measured at fair value, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the other reserves.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the other reserves is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition/ initial application to measure at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the other reserves is not reclassified to profit or loss, but is transferred to retained earnings.

On derecognition of an AFS financial asset measured at fair value, the cumulative gain or loss previously accumulated in the other reserves is reclassified to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All of financial liabilities are subsequently measured at FVTPL or at amortised cost using the effective interest method. The Group's financial liabilities including borrowings, trade and notes payables, other payables, short-term and long-term bonds and other long-term liabilities are subsequently measured at amortised cost, using the effective interest rate method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

i. the amount of the loss allowance determined in accordance with IFRS 9 (since 1 January 2018)/IAS 37 *Provisions, Contingent Liabilities and Contingent Assets (before application of IFRS 9 on 1 January 2018)*; and

ii. the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

6. CRITICAL ACCCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of non-current assets

Non-current assets, including property, plant and equipment, land use rights, mining rights and intangible assets, are carried at cost less accumulated amortisation. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations and financial position.

The management identified the non-current assets relating to two underperformed coal mines having impairment indications. The management performed impairment assessment to the related cash generating units ("CGUs") and recognised impairment losses amounting to RMB0.10 billion for the year ended 31 December 2018 which is detailed in Note 19. The carrying amount of these assets amounted to RMB6.60 billion (after taking into account the accumulated impairment losses).

The gross carrying amounts of these two CGUs is RMB7.21 billion (before taking into account the accumulated impairment losses), including property, plant and equipment amounting to RMB2.74 billion, mining rights amounting to RMB4.36 billion and other non-current assets amounting to RMB0.11 billion, and the accumulated impairment losses recognised on these two CGUs is amounted to RMB0.61 billion. The carrying amounts of the property, plant and equipment, mining rights and other non-current assets are disclosed in Notes 18, 19 and 26 respectively.

6. CRITICAL ACCCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(a) Impairment of non-current assets (continued)

Management performed impairment tests on such CGUs with impairment indicators. The recoverable amount of the CGUs is the higher of its fair value less costs of disposal and value in use. Key assumptions adopted in the discounted cash flow models for determining the value in use and their basis include:

- Future coal price: based on current market price and management's analysis of factors that may have impact on coal market;

- Coal production volume: based on management's production plan and limited by designed capacity and permitted capacity;

- Coal production costs: for coal mines in development phase, based on estimated production costs in the feasibility report of the mine;

- Capital expenditures: based on latest budget and historical data of fixed asset replacement;

- Discount rates: weighted average cost of capital reflecting the specific risk to the CGUs.

Notwithstanding that the Group has used all available information to make this estimation, inherent uncertainty exists and actual write-offs may be higher or lower than the amount estimated.

(b) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Coal reserve estimates

Coal reserves are estimates of the amount of products that can be economically and legally extracted from the Group's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand and commodity prices.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

6. CRITICAL ACCCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(c) Coal reserve estimates (continued)

Because the economic assumptions used to estimate coal reserves changes from period to period, and because additional geological data is generated during the course of operations, estimates of coal reserves may change from period to period. Changes in reported reserves may affect the Group's results and financial position in a number of ways, including the following:

– Carrying values of assets may be affected due to changes in estimated future cash flows.

– Depreciation, depletion and amortisation charged in profit or loss may change where such charges are determined by the units of production basis, or where the economic useful lives of assets changed.

– Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

– The carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of the tax benefits.

(d) Provision of ECL for trade receivables and contract assets

The Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration reasonable and supportable forward-looking information that is available without undue cost or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables and contract assets with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in Notes 28 and 29 respectively.

(e) Income taxes

The Group is subject to income taxes in numerous jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will be reflected in the income tax and deferred tax provisions in the period in which such determination is made. In addition, the realisation of deferred income tax assets is dependent on the Group's ability to generate sufficient taxable income in future years to utilise income tax benefits and income tax loss carry-forwards. Deviations of future profitability from estimates or in the income tax rate would result in adjustments to the value of income tax assets and liabilities that could have a significant effect on earnings.

6. CRITICAL ACCCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(f) Provision for close down, restoration and environmental costs

The provision for close down, restoration and environmental costs is determined by management based on the past experience and best estimation of future expenditures, taking into account the existing relevant PRC regulations. However, in so far as the effect on the land and the environment from current mining activities becomes apparent in future years, the estimate of the associated costs may be subject to revision from time to time.

(g) Deferred stripping costs

The accounting for stripping costs of open-pit mines is based on management's estimate of whether there are future benefits associated with the stripping activities incurred. The estimate may be influenced by changes of actual geological conditions, coal reserves and management's future production plans.

7. SEGMENT INFORMATION

7.1 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.

7. SEGMENT INFORMATION (CONTINUED)

7.1 General information (continued)

(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.

7.2 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.

7. SEGMENT INFORMATION (CONTINUED)

7.2 Information about operating and reportable segment profit or loss, assets and liabilities (continued)

(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)/reversal of 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

7. SEGMENT INFORMATION (CONTINUED)

7.2 Information about operating and reportable segment profit or loss, assets and liabilities (continued)

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

	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

7. SEGMENT INFORMATION (CONTINUED)

7.3 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.

8. 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

8. REVENUE (CONTINUED)

For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers:

	For the year ended 31 December 2018				
	Coal	Coal-chemical products	Mining machinery	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	For the year ended 31 December 2018			
	Segment revenue	Eliminations	Less: rental income	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Coal	80,911,705	(3,817,457)	(178,805)	76,915,443
Coal-chemical products	18,006,213	(140,112)	(24)	17,866,077
Mining machinery	7,051,536	(866,623)	(31,735)	6,153,178
Others	3,850,572	(855,768)	(11,038)	2,983,766
Total revenue	109,820,026	(5,679,960)	(221,602)	103,918,464

8. REVENUE (CONTINUED)

For the year ended 31 December 2018 (continued)

(ii) Performance obligations for contracts with customers

Sales of coal (revenue recognised at a point in time)

The Group sells coal directly to the customers and revenue is recognised when the customers obtained control of goods transferred. The shipping types includes both land and water transportation. In the type of land transportation, revenue is recognised when the coal is delivered to the customers; in the type of water transportation, revenue is recognised when the goods pass the ship's rail.

The consideration received from the customers before the delivery of goods are recognised as contract liabilities in the Group's consolidated financial statements. There is no significant financing component or right of return arrangement in the sales contract.

Sales of coal-chemical products (revenue recognised at a point in time)

The Group sells coal-chemical products directly to the customers, revenue is recognised when the customers obtained control of goods transferred, i.e. when the customers received the coal-chemical products.

The consideration received from the customers before the delivery of goods are recognised as contract liabilities in the Group's consolidated financial statements. There is no significant financing component or right of return arrangement in the sales contract.

Sales of mining machinery (revenue recognised at a point in time)

The Group sells mining machinery to the customers directly. The payment terms of the contracts include stage payments. The Group recognised the revenue when the mining machinery is delivered to the customers.

9. OTHER GAINS AND LOSSES

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Impairment loss of:		
– land use rights	**–**	(24,445)
– mining rights	**(99,335)**	(686,580)
– property, plant and equipment	**(863,475)**	(801,415)
– prepayments	**(506)**	(10,259)
– other non-current assets	**–**	(142,196)
Gain or loss on disposal of:		
– property, plant and equipment	**(54,198)**	83,352
– land use rights	**(27,901)**	–
– investments in associates	**380**	–
– subsidiaries	**–**	66,584
Government grants	**282,288**	201,733
Others	**(152,296)**	(97,706)
	(915,043)	(1,410,932)

10. FINANCE INCOME AND COSTS

	2018	2017
	RMB'000	*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

10. FINANCE INCOME AND COSTS (CONTINUED)

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%

11. IMPAIRMENT LOSSES, NET OF REVERSAL

	2018 *RMB'000*	2017 *RMB'000* (Restated)
Impairment losses recognised on:		
– Trade receivables	**(67,940)**	(105,472)
– Other receivables	**(52,567)**	(92,686)
– Contract assets	**(3,106)**	–
– Loans to the fellow subsidiaries	**(12,784)**	(11,880)
– Available-for-sale financial assets	**–**	(41,658)
	(136,397)	(251,696)

Details of impairment assessment for the year ended 31 December 2018 are set out in Note 48.2.

12. EXPENSES BY NATURE

Expenses included in cost of sales, selling expenses and general and administrative expenses are analysed as follows:

	2018 *RMB'000*	2017 *RMB'000* (Restated)
Depreciation *(note (a))*	**6,959,157**	6,317,678
Amortisation *(note (b))*	**590,752**	607,696
Materials used and goods traded	**53,925,133**	36,214,650
Transportation costs and port expenses	**9,991,573**	9,390,402
Sales tax and surcharges	**2,834,494**	2,266,853
Auditor's remuneration	**22,455**	14,654
– Audit service	**22,455**	14,654
– Non-audit service	**–**	–
Repairs and maintenance	**1,650,465**	1,733,144
Operating lease rentals	**64,116**	60,682
Employee benefit expense (including directors' emoluments) *(note (c), Note 13)*	**7,228,419**	6,622,900
Other expenses	**7,975,298**	7,404,731
Total cost of sales, selling expenses and general and administrative expenses	**91,241,862**	70,633,390

12. EXPENSES BY NATURE (CONTINUED)

Notes:

(a) Depreciation charged to the profit or loss is analysed as follows:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Depreciation for the year	**7,273,999**	6,730,974
– Property, plant and equipment *(Note 18)*	**7,270,496**	6,728,428
– Investment properties	**3,503**	2,546
Less: capitalised in inventories which remained unsold as at year end	**(10,671)**	(54,593)
capitalised in construction in progress	**(304,171)**	(358,703)
Amount charged to profit or loss	**6,959,157**	6,317,678

Charged to:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Expenses		
– Cost of sales	**6,483,722**	5,784,854
– Selling expenses and general and administrative expenses	**475,435**	532,824
	6,959,157	6,317,678

(b) Amortisation charged to profit or loss is analysed as follows:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Land use rights *(Note 21)*	**129,811**	116,848
Mining rights	**288,194**	323,771
Intangible assets	**127,848**	110,473
Long-term deferred expenses included in other non-current assets	**44,899**	56,604
	590,752	607,696

(c) Staff costs (including directors' emoluments) charged to profit or loss are analysed as follows:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Charged to:		
Cost of sales	**4,541,755**	4,201,953
Selling expenses and general and administrative expenses	**2,686,664**	2,420,947
	7,228,419	6,622,900

(d) The research and development costs recognised as expenses is RMB216,614,000 (2017: RMB147,780,000) during the year.

13. EMPLOYEE BENEFIT EXPENSE

	2018 *RMB'000*	2017 *RMB'000* (Restated)
Wages, salaries and allowances	**4,859,716**	4,641,939
Housing subsidies *(note (a))*	**402,230**	370,885
Contributions to pension plans *(note (b))*	**838,901**	670,972
Welfare and other expenses	**1,127,572**	939,104
	7,228,419	6,622,900

Notes:

(a) These mainly include the Group's contributions to government-sponsored housing funds in the PRC at rates ranging from 12% to 25% (2017: from 12% to 25%) of the employees' basic salaries.

(b) The Group participates in various pension plans organised by the relevant municipal and provincial governments in the PRC under which the Group is required to make monthly defined contributions to these plans at rates ranging from 5% to 20% (2017: from 5% to 20%) of the employees basic salaries depending on the applicable local regulations. Effective from 1 January 2011, the Group also makes monthly defined contributions to a supplemental pension plan for the qualified employees.

The five individuals whose emoluments were the highest in the Group during the year are as follows:

	2018	2017
Director	**–**	–
Non-director individuals	**5**	5
	5	5

Details of emoluments paid to the non-director individuals are as follows:

	2018 *RMB'000*	2017 *RMB'000*
Basic salaries, housing allowances, other allowances and benefits-in-kind	**1,359**	1,000
Contributions to pension schemes	**575**	540
Discretionary bonuses	**3,883**	2,902
	5,817	4,442

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2018 No. of employees	2017 No. of employees
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**4**	5
HK$1,500,001 to HK$2,000,000	**1**	–
	5	5

14. BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

(a) Directors', supervisors' and chief executive's emoluments

The emoluments of directors and supervisors for the year ended 31 December 2018 are set out below:

	2018 Emoluments paid or payable in respect of a person's service as a director or supervisor, whether of the Company or its subsidiary undertaking						
Name	Fees	Salary	Bonus	Housing allowance	Social benefits	Employer's contribution to benefits scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman, executive director:							
Mr. LI Yanjiang	–	–	–	–	–	–	–
Executive directors:							
Mr. PENG Yi	–	–	–	–	–	–	–
Mr. NIU Jianhua	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Non-executive directors:							
Mr. Zhao Rongzhe *(note)*	–	–	–	–	–	–	–
Mr. Xu Qian *(note)*	–	–	–	–	–	–	–
Mr. DU Ji'an	–	–	–	–	–	–	–
Mr. XIANG Xujia *(note)*	–	–	–	–	–	–	–
Mr. LIU Zhiyong *(note)*	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Independent non-executive directors:							
Mr. ZHANG Ke	–	300	–	–	–	–	300
Mr. ZHANG Chengjie	–	300	–	–	–	–	300
Mr. LEUNG Chong Shun	–	300	–	–	–	–	300
	–	900	–	–	–	–	900
Supervisors:							
Mr. ZHOU Litao	–	–	–	–	–	–	–
Mr. WANG Wenzhang	–	377	158	35	35	75	680
Mr. ZHANG Shaoping	–	370	316	35	35	73	829
	–	747	474	70	70	148	1,509
	–	1,647	474	70	70	148	2,409

14. BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Directors', supervisors' and chief executive's emoluments (continued)

Note:

Mr. Xiang Xujia and Mr. Liu Zhiyong resigned from the position of non-executive director and Mr. Zhao Rongzhe and Mr. Xu Qian were appointed as non-executive directors on 23 October 2018.

The emoluments of directors and supervisors for the year ended 31 December 2017 are set out below:

	2017 Emoluments paid or payable in respect of a person's service as a director or supervisor, whether of the Company or its subsidiary undertaking						
Name	Fees *RMB'000*	Salary *RMB'000*	Bonus *RMB'000*	Housing allowance *RMB'000*	Social benefits *RMB'000*	Employer's contribution to benefits scheme *RMB'000*	Total *RMB'000*
Chairman, executive director:							
Mr. LI Yanjiang	–	–	–	–	–	–	–
Executive directors:							
Mr. GAO Jianjun *(note 1)*	–	–	–	–	–	–	–
Mr. PENG Yi *(note1)*	–	–	–	–	–	–	–
Mr. NIU Jianhua *(note 1)*	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Non-executive directors:							
Mr. PENG Yi *(note1)*	–	–	–	–	–	–	–
Mr. LIU Zhiyong	–	–	–	–	–	–	–
Mr. DU Ji'an *(note 2)*	–	–	–	–	–	–	–
Mr. XIANG Xujia	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Independent non-executive directors:							
Mr. ZHANG Ke	–	300	–	–	–	–	300
Mr. ZHANG Chengjie *(note 3)*	–	150	–	–	–	–	150
Mr. LEUNG Chong Shun *(note 3)*	–	150	–	–	–	–	150
Mr. ZHAO Pei *(note 3)*	–	150	–	–	–	–	150
Mr. NGAI Wai Fung *(note 3)*	–	150	–	–	–	–	150
	–	900	–	–	–	–	900
Supervisors:							
Mr. ZHOU Litao	–	–	–	–	–	–	–
Mr. ZHAO Rongzhe *(note 4)*	–	–	–	–	–	–	–
Mr. WANG Wenzhang *(note 4)*	–	172	–	17	17	32	238
Mr. ZHANG Shaoping	–	208	211	32	32	67	550
	–	380	211	49	49	99	788
	–	1,280	211	49	49	99	1,688

14. BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Directors', supervisors' and chief executive's emoluments (continued)

Notes:

1. Mr. Gao Jianjun resigned from the position of executive director and president of the Company on 17 March 2017. Mr. Peng Yi was appointed as executive director and ceased to be non-executive director on 17 March 2017. Mr. Niu, Jianhua was appointed as executive director on 19 December 2017.

2. Mr. Du Ji'an was appointed as the non-executive director on 26 June 2017.

3. Mr. Zhang Chengjie and Mr. Leung Chong Shun were appointed as the independent non-executive directors and Mr. Zhao Pei and Mr. Ngai Wai Fung resigned from the position of independent non-executive directors on 26 June 2017.

4. Mr. Zhao Rongzhe resigned from the position of supervisor of the Company on 22 March 2017. Mr Wang Wenzhang was appointed as the supervisor of the Company on 26 June 2017.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Notes:

Mr. Li Yanjiang, Mr.Niu Jianhua, Mr. Peng Yi, Mr. Xu Qian, Mr. Liu Zhiyong, Mr. Du Ji'an, Mr. Xiang Xujia, Mr. Zhou Litao and Mr. Zhao Rongzhe received emoluments from China Coal Group, part of which is in relation to their services to the Company.

No apportionment has been made as the directors consider that it is impractical to apportion this amount between their services to the Company and their service to the Parent Company.

During the year ended 31 December 2018, the emoluments paid or payable to each of the directors did not exceed HK$1,000,000 (equivalent to RMB876,200).

(b) Directors' and supervisors' retirement benefits

The retirement benefits paid to all directors and supervisors during the year ended 31 December 2018 in respect of their services as directors and supervisors of the Company and its subsidiaries is RMB148,000 (2017: RMB99,000).

No other retirement benefits were paid to them in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2017: nil).

(c) Directors' and supervisors' termination benefits

During the years ended 31 December 2017 and 2018, no payment to the directors and supervisors as compensation for the early termination of the appointment was made by the Company.

14. BENEFITS AND INTERESTS OF DIRECTORSAND SUPERVISORS (CONTINUED)

(d) During the years ended 31 December 2017 and 2018, there is no consideration that was provided to third parties for making available directors' and supervisors' services.

No payment to the former employers for making available the services as directors and supervisors of the Company was made (2017: nil).

During the years ended 31 December 2017 and 2018, and as at 31 December 2017 and 2018, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiary undertaking of the Company, in favour of directors and supervisors.

(e) No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director or a supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(f) During the years ended 31 December 2017 and 2018, no directors or supervisors of the Company waived any emoluments.

(g) No executive directors of the Company are entitled to bonus payments which are determined based on a percentage of the Group's profit after tax of the year.

15. INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Current income tax		
– PRC enterprise income tax *(note (a))*	**2,677,725**	2,228,606
Deferred income tax *(Note 38)*	**(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.

15. INCOME TAX EXPENSE (CONTINUED)

Notes: (continued)

(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%).

(c) The tax charge relating to components of other comprehensive income are as follows:

	2018			2017		
	Before tax	**Tax charge**	**After tax**	Before tax	Tax charge	After tax
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale financial assets	**–**	**–**	**–**	(1,420)	355	(1,065)
Equity instruments measured at FVTOCI	**185,185**	**(12,590)**	**172,595**	–	–	–
Debt instruments measured at FVTOCI	**(26,472)**	**5,483**	**(20,989)**	–	–	–
Currency translation differences	**18,138**	**–**	**18,138**	(5,011)	–	(5,011)
Other comprehensive expense/(income)	**176,851**	**(7,107)**	**169,744**	(6,431)	355	(6,076)
Deferred tax		**(7,107)**			355	

The income tax (credited)/charged directly to other comprehensive income during the year is as follows:

	2018	2017
	RMB'000	*RMB'000*
Deferred tax:	**(7,107)**	355

16. DIVIDENDS

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).

A total dividend of approximately RMB1,030,373,000 for the year ended 31 December 2018 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

17. 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.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Mining structures *RMB'000*	Plant, machinery and equipment *RMB'000*	Railway structures *RMB'000*	Motor vehicles, fixtures and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Year ended 31 December 2017 (restated)							
Opening net book amount	29,399,524	15,147,791	36,573,527	3,010,155	1,017,799	43,181,053	128,329,849
Additions	271,068	1,474,086	555,851	–	115,795	7,934,442	10,351,242
Addition from acquisition of subsidiaries under common control	558,213	–	1,320,692	–	5,830	309,996	2,194,731
Transfers upon completion of construction	3,087,323	824,511	7,014,988	–	8,147	(10,934,969)	–
Transfer to land use rights and intangible assets	–	–	–	–	–	(553,667)	(553,667)
Reclassification	195,716	(801,392)	484,818	(62,121)	182,979	–	–
Disposals	(553,687)	(65,956)	(639,542)	–	(25,895)	(192,873)	(1,477,953)
Disposal of subsidiaries	(245,520)	–	(38,272)	–	(82,095)	(447,049)	(812,936)
Depreciation charges *(Note 12)*	(1,367,153)	(843,241)	(4,146,732)	(105,830)	(265,472)	–	(6,728,428)
Provision for impairment	(31,801)	–	(516,296)	–	(533)	(252,785)	(801,415)
Closing net book amount	31,313,683	15,735,799	40,609,034	2,842,204	956,555	39,044,148	130,501,423
At 31 December 2017 (restated)							
Cost	38,709,721	23,185,994	69,051,781	3,566,641	2,800,370	39,311,213	176,625,720
Accumulated depreciation	(7,276,042)	(7,449,025)	(27,603,051)	(724,437)	(1,779,664)	–	(44,832,219)
Impairment provision	(119,996)	(1,170)	(839,696)	–	(64,151)	(267,065)	(1,292,078)
Net book amount	31,313,683	15,735,799	40,609,034	2,842,204	956,555	39,044,148	130,501,423

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Mining structures RMB'000	Plant, machinery and equipment RMB'000	Railway structures RMB'000	Motor vehicles, fixtures and others RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2018							
Opening net book amount (restated)	**31,313,683**	**15,735,799**	**40,609,034**	**2,842,204**	**956,555**	**39,044,148**	**130,501,423**
Additions	**292,121**	**905,935**	**1,452,580**	**–**	**126,832**	**8,175,960**	**10,953,428**
Transfers upon completion of construction	**9,089,542**	**4,520,886**	**6,661,709**	**310,076**	**69,791**	**(20,652,004)**	**–**
Transfer to land use rights, mining rights and intangible assets	**–**	**–**	**–**	**–**	**–**	**(905,864)**	**(905,864)**
Transfer to investment properties	**(1,247)**	**–**	**–**	**–**	**–**	**–**	**(1,247)**
Reclassification	**(589,228)**	**(14,367)**	**257,214**	**117,075**	**229,306**	**–**	**–**
Disposals	**(151,118)**	**–**	**(301,509)**	**–**	**(53,220)**	**–**	**(505,847)**
Depreciation charges *(Note 12)*	**(1,497,636)**	**(952,911)**	**(4,412,826)**	**(127,328)**	**(279,795)**	**–**	**(7,270,496)**
Provision for impairment	**(288,835)**	**–**	**(570,914)**	**–**	**(3,726)**	**–**	**(863,475)**
Closing net book amount	**38,167,282**	**20,195,342**	**43,695,288**	**3,142,027**	**1,045,743**	**25,662,240**	**131,907,922**
At 31 December 2018							
Cost	**47,151,736**	**28,625,280**	**76,550,888**	**3,993,792**	**3,068,220**	**25,929,305**	**185,319,221**
Accumulated depreciation	**(8,575,623)**	**(8,428,768)**	**(31,456,779)**	**(851,765)**	**(1,954,724)**	**–**	**(51,267,659)**
Impairment provision	**(408,831)**	**(1,170)**	**(1,398,821)**	**–**	**(67,753)**	**(267,065)**	**(2,143,640)**
Net book amount	**38,167,282**	**20,195,342**	**43,695,288**	**3,142,027**	**1,045,743**	**25,662,240**	**131,907,922**

Property, plant and equipment, except for mining structures, are depreciated on a straight-line basis at the following rates per annum:

Buildings	8 – 50 years
Plant, machinery and equipment	4 – 18 years
Railway structures	25 – 30 years
Motor vehicles, fixtures and others	5 – 15 years

Mining structures (including the main and auxiliary mine shafts and underground tunnels) are depreciated on the units of production method utilising only recoverable coal reserves as the depletion base.

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year ended 31 December 2018, the depreciation charges of the Group were recorded in cost of sales with an amount of RMB6,480,219,000 (2017: RMB5,782,308,000), selling expenses and general and administrative expenses with an amount of RMB475,435,000 (2017: RMB532,824,000), construction in progress with an amount of RMB304,171,000 (2017: RMB358,703,000), and cost of inventories which remained unsold as at year end with an amount of RMB10,671,000 (2017: RMB54,593,000) respectively.

Bank borrowings are secured on property, plant and equipment for the value of RMB4,975,872,000 (2017: RMB5,353,460,000).

As at 31 December 2018, the Group was in process of applying the ownership certificates of buildings with net book amount of RMB8,328,812,000 (2017: RMB5,955,201,000).

During the year ended 31 December 2018, the Group recognised impairment losses on property, plant and equipment amounting to RMB166,754,000 in relation to the aluminum business of Shanghai Datun Energy Resources Company Limited ("Shanghai Datun"), a subsidiary of the Company, and the related cash-generating unit is within the Other segment of the Group. The recoverable amount of the cash-generating unit has been determined on the basis of value in use calculation using discounted cash flow technique with discount rate of 10.79%, based on the financial budgets approved by the management covering a 1 year period using a steady growth rate for subsequent years. The key assumptions adopted in the value in use calculation relate to the estimated production volume and unit price of the aluminum plate, such estimation is based on the CGU's past performance, productivity capacity and the prevail market price of the products.

During the year ended 31 December 2018, the Group recognised impairment losses on property, plant and equipment amounting to RMB83,707,000 in relation to the electricity generating business of Shanghai Datun, and the related cash-generating unit is within the Other segment of the Group. The recoverable amount of the cash-generating unit has been determined on the basis of value in use calculation using discounted cash flow technique with discount rate of 10.08%, based on a one year budget approved by the management. The key assumptions adopted in the value in use calculation relate to the estimated generating capacity and price of electricity, such estimation is based on the CGU's past performance and unit price of electricity.

During the year ended 31 December 2018, the Group recognised impairment losses on property, plant and equipment amounting to RMB381,650,000 and RMB123,218,000 in relation to the coal chemical business of China Coal Heilongjiang Coal Chemical Company Limited ("Heilongjiang Coal Chemical"), and the electricity generating business of Shanghai Datun, within the segment of coal-chemical products and Others respectively. The recoverable amount of the related property, plant and equipment has been determined by fair value less costs of disposal. The fair value is determined by reference to the market price of related assets.

During the year ended 31 December 2018, the Group decided to suspend indefinitely certain property, plant and equipment within coal segment due to the change of market conditions. The impairment loss amounting to RMB91,905,000 was provided on those property, plant and equipment.

19. MINING RIGHTS

	RMB'000
Year ended 31 December2017 (restated)	
Opening net book amount	33,673,946
Additions	96,077
Addition from acquisition of subsidiaries under common control	25,556
Impairment provision	(686,580)
Amortisation charges	(324,772)
Closing net book amount	32,784,227
At 31 December 2017 (restated)	
Cost	37,340,431
Accumulated amortisation	(3,869,624)
Impairment provision	(686,580)
Net book amount	32,784,227
Year ended 31 December 2018	
Opening net book amount (restated)	**32,784,227**
Additions	**2,532,797**
Transferred from property, plant and equipment	**623,307**
Impairment provision	**(99,335)**
Amortisation charges	**(288,278)**
Closing net book amount	**35,552,718**
At 31 December 2018	
Cost	**40,452,681**
Accumulated amortisation	**(4,114,346)**
Impairment provision	**(785,617)**
Net book amount	**35,552,718**

The amortisation charges were mainly recorded in cost of sales for the years ended 31 December 2018 and 2017.

As at 31 December 2018, the directors of the Company performed impairment assessment on the Group's certain mining rights and recognised impairment losses of RMB99,335,000 (2017: RMB517,823,000) in relation to the Yuquan coal mine in Shanxi Yangquan Yuxian Yuquan Coal Industry Co., Ltd.

The recoverable amount of the cash generating unit in relation to Yuquan coal mine has been determined on the basis of value in use with discount rate of 8.32%, based on the financial forecast using a steady growth rate for subsequent years. The key assumptions adopted in the value in use calculation relate to the estimated selling price of the coal, the coal reserve and the estimated productivities.

20. INTANGIBLE ASSETS

	Technical know-how *RMB'000*	Others *RMB'000*	Total *RMB'000*
Year ended 31 December 2017 (restated)			
Opening net book amount	986,840	457,227	1,444,067
Additions	31,888	9,091	40,979
Addition from acquisition of subsidiaries under common control	–	4,531	4,531
Transferred from property, plant and equipment	–	334,646	334,646
Disposals	–	(4,692)	(4,692)
Disposal of subsidiaries	–	(946)	(946)
Amortisation charge	(60,392)	(52,325)	(112,717)
Closing net book amount	958,336	747,532	1,705,868
At 31 December 2017 (restated)			
Cost	1,128,629	945,768	2,074,397
Accumulated amortisation	(170,293)	(198,236)	(368,529)
Net book amount	958,336	747,532	1,705,868

20. INTANGIBLE ASSETS (CONTINUED)

	Technical know-how *RMB'000*	Others *RMB'000*	Total *RMB'000*
Year ended 31 December 2018			
Opening net book amount (restated)	**958,336**	**747,532**	**1,705,868**
Additions	**18,251**	**19,738**	**37,989**
Transferred from property, plant and equipment	**79,018**	**1,473**	**80,491**
Reclassification	**290,190**	**(290,190)**	**–**
Amortisation charge	**(71,074)**	**(63,872)**	**(134,946)**
Closing net book amount	**1,274,721**	**414,681**	**1,689,402**
At 31 December 2018			
Cost	**1,538,119**	**697,889**	**2,236,008**
Accumulated amortisation	**(263,398)**	**(283,208)**	**(546,606)**
Net book amount	**1,274,721**	**414,681**	**1,689,402**

The amortisation charge was mainly recorded in cost of sales, selling expenses and general and administrative expenses for the years ended 31 December 2018 and 2017.

Other intangible assets mainly include emission rights and computer softwares.

21. LAND USE RIGHTS

	RMB'000
Year ended 31 December 2017 (restated)	
Opening net book amount	5,085,775
Additions	58,412
Addition from acquisition of subsidiaries under common control	100,712
Transferred from property, plant and equipment	219,021
Disposal of subsidiaries *(Note 44)*	(127,796)
Disposals	(171,659)
Provision for impairment	(24,445)
Amortisation charge	(120,313)
Closing net book amount	5,019,707
At 31 December 2017 (restated)	
Cost	5,921,277
Accumulated amortisation	(875,928)
Impairment provision	(25,642)
Net book amount	5,019,707

21. LAND USE RIGHTS (CONTINUED)

	RMB'000
Year ended 31 December 2018	
Opening net book amount (restated)	**5,019,707**
Additions	**265,276**
Transferred from property, plant and equipment	**202,066**
Disposals	**(33,691)**
Amortisation charge	**(132,903)**
Closing net book amount	**5,320,455**
At 31 December 2018	
Cost	**6,348,838**
Accumulated amortisation	**(1,002,741)**
Impairment provision	**(25,642)**
Net book amount	**5,320,455**

Bank borrowings are secured on land use rights for the value of RMB72,741,000 (2017: RMB75,338,000).

The Group's land use rights represent prepaid operating lease payments for leasehold land located in the PRC with lease periods between 20 to 50 years.

The amortisation charges were recorded in cost of sales with an amount of RMB75,620,000 (2017: RMB69,414,000), selling expenses and general and administrative expenses with an amount of RMB54,191,000 (2017: RMB47,434,000) and construction in progress with an amount of RMB2,934,000 (2017: RMB3,412,000) and cost of inventories which remained unsold as at year end with an amount of RMB158,000 (2017:RMB53,000).

As at 31 December 2018, the Group was in process of applying the ownership certificates of land use rights with net book amounts of RMB892,604,000 (2017: RMB655,248,000).

22(a) SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2018:

(a) Principal subsidiaries

Company name	Place of establishment	Registered capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Held by non-controlling interests	Principal activities and place of operation	Type of legal entity
Listed -							
Shanghai Datun (上海大屯能源股份有限公司)	Shanghai, the PRC	RMB722,718,000	62.43%	62.43%	37.57%	Coal mining and Sale of coal in Peixian, the PRC	Joint stock with limited liability
Unlisted -							
China Coal Pingshuo Group Company Limited (中煤平朔集團有限公司)	Shuozhou, the PRC	RMB21,779,370,000	100%	100%	–	Coal mining and Sale of coal in Shuozhou, the PRC	Limited liability company
China National Coal Mining Equipment Company Limited (中國煤礦機械裝備有限責任公司)	Beijing, the PRC	RMB7,657,897,000	100%	100%	–	Design,manufacture and Sale of coal mining machinery and equipment in Zhangjiakou, Beijing, the PRC	Limited liability company
China Coal and Coke Holdings Limited (中煤焦化控股有限責任公司)	Beijing, the PRC	RMB1,048,813,800	100%	100%	–	Sale of coke in Beijing, Tianjin and Taiyuan, the PRC	Limited liability company
Shanxi China Coal Huajin Energy Company Limited ("China Coal Huajin") (山西中煤華晉能源有限責任公司)	Taiyuan, the PRC	RMB6,439,336,000	51%	51%	49%	Coal mining and Sale of coal in Hejin, the PRC	Limited liability company
China National Coal Development Company Limited (中國煤炭開發有限責任公司)	Beijing, the PRC	RMB100,000,000	100%	100%	–	Trading of mining equipment in Beijing, the PRC	Limited liability company
China Coal Xing'an Energy Chemical Engineering Company Limited (中煤興安能源化工有限公司)	Ulanhot, the PRC	RMB500,000,000	100%	100%	–	Coal chemical in Ulanhot, the PRC	Limited liability company
China Coal Ordos Energy Chemical Company Limited (中煤鄂爾多斯能源化工有限公司)	Ordos, the PRC	RMB4,193,424,800	100%	100%	–	Coal chemical in Ordos, the PRC	Limited liability company

22(a) SUBSIDIARIES (CONTINUED)

(a) Principal subsidiaries (continued)

Company name	Place of establishment	Registered capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Held by non-controlling interests	Principal activities and place of operation	Type of legal entity
Unlisted – continued							
Sunfield Resources Pty. Limited (華光資源有限公司)	Sydney, Australia	AUD500,000	100%	100%	–	Investment management, trading of coal and coke in Sydney, Australia	Limited liability company
Datong China Coal Export Base Development Company Limited (大同中煤出口煤基地建設有限公司)	Datong, the PRC	RMB125,000,000	19%	60%	40%	Processing and sale of coal in Datong, the PRC	Sino-foreign joint venture
Heilongjiang Coal Chemical (中煤能源黑龍江煤化工有限公司)	Yilan, the PRC	RMB2,474,873,500	100%	100%	–	Coal chemical sales in Yilan,the PRC	Limited liability company
China Coal Xinjiang Coal Electricity Chemical Company Limited (中煤能源新疆煤電化有限公司)	Jimsar County in Changji Prefecture, the PRC	RMB800,000,000	60%	60%	40%	Coal chemical in Jimsar County in Changji Prefecture, the PRC	Limited liability company
China Coal Hami Coal Industry Company Limited (中煤能源哈密煤業有限公司)	Hami, the PRC	RMB614,766,400	100%	100%	–	Coal mining and Sale of coal in Hami, the PRC	Limited liability company
Inner Mongolia China Coal Mengda New Energy & Chemical Company Limited (內蒙古中煤蒙大新能源化工有限公司)	Ordos, the PRC	RMB3,198,601,000	100%	100%	–	Manufacture and sale of coal chemical products in Ordos, the PRC	Limited liability company
Wushenqi Mengda Mining Company Limited ("Mengda Mining") (烏審旗蒙大礦業有限責任公司)	Ordos, the PRC	RMB854,000,000	66%	66%	34%	Coal mining and sale of coal in Ordos, the PRC	Limited liability company
Ordos Yihua Mining Resources Company Limited ("Yihua Mining") (鄂爾多斯市伊化礦業資源有限責任公司)	Ordos, the PRC	RMB1,274,087,300	51%	51%	49%	Coal mining and sale of coal in Ordos, the PRC	Limited liability company

22(a) SUBSIDIARIES (CONTINUED)

(a) Principal subsidiaries (continued)

Company name	Place of establishment	Registered capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Held by non-controlling interests	Principal activities and place of operation	Type of legal entity
Unlisted – continued							
China Coal Shaanxi Yulin Energy & Chemical Company Limited ("Shaanxi Yulin") (中煤陝西榆林能源化工有限公司)	Yulin, the PRC	RMB9,369,060,000	100%	100%	–	Manufacture and sale of coal chemical products in Yulin, the PRC	Limited liability company
Ordos Yinhe Hongtai Coal Power Company Limited (鄂爾多斯市銀河鴻泰煤電有限公司)	Ordos, the PRC	RMB94,493,800	78.84%	78.84%	21.16%	Coal mine development in Ordos, the PRC	Limited liability company
Shanxi Puxian China Coal Jinchang Mining Company Limited (山西蒲縣中煤晉昶礦業有限責任公司)	Linfen, the PRC	RMB50,000,000	51%	51%	49%	Coal mine development in Linfen, the PRC	Limited liability company
China Coal Sales and Transportation Company Limited (中國煤炭銷售運輸有限責任公司)	Beijing, the PRC	RMB3,197,361,498	100%	100%	–	Sale of coal products and other related products in Shanghai, Guangdong, Shandong, Qinhuangdao, the PRC	Limited liability company
Shanxi Zhongxin Tangshangou Coal Industry Company Limited (山西中新唐山溝煤業有限責任公司)	Datong, the PRC	RMB16,350,000	80%	80%	20%	Coal mining and sale of coal in Datong, the PRC	Limited liability company
Shanxi Puxian China Coal Yushuo Mining Company Limited (山西蒲縣中煤禹碩礦業有限責任公司)	Linfen, the PRC	RMB50,000,000	63%	63%	37%	Coal mine development in Linfen, the PRC	Limited liability company
Inner Mongolia China Coal Yuanxing Energy Chemical Company Limited (內蒙古中煤遠興能源化工有限公司)	Ordos, the PRC	RMB1,032,399,000	75%	75%	25%	Manufacture and sale of coal chemical products in Ordos, the PRC	Limited liability company
China Coal Finance Co.,Ltd. (China Coal Finance) (中煤財務有限責任公司)	Beijing, the PRC	RMB3,000,000,000	91%	91%	9%	Finance in Beijing, the PRC	Limited liability company

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For the year ended 31 December 2018

22(a) SUBSIDIARIES (CONTINUED)

(a) Principal subsidiaries (continued)

Company name	Place of establishment	Registered capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Held by non-controlling interests	Principal activities and place of operation	Type of legal entity
Unlisted – continued							
Wushenqi Mengda Energy Environmental Protection Company Limited (烏審旗蒙大能源環保有限公司)	Ordos, the PRC	RMB15,000,000	–	70%	30%	Waste disposal in Ordos, the PRC	Limited liability company
China Coal Northwest Energy Company Limited (中煤西北能源有限公司)	Ordos, the PRC	RMB1,000,000,000	100%	100%	–	Coal mine development in Ordos, the PRC	Limited liability company
China Coal Chemicals (TianJin) Company Limited (中煤化(天津)化工銷售有限公司)	Tianjin, the PRC	RMB500,000,000	100%	100%	–	Manufacture and sale of coal chemical products in Tianjin, the PRC	Limited liability Company

Note:

Except for the Sunfield Resources Pty Limited, other subsidiaries have adopted 31 December as their financial year end date.

None of the subsidiaries had issued any debt securities at the end of the year except for Shanghai Datun which had issued RMB1,000 million long-term bonds, in which the Group had no interest. The details of the long-term bonds are stated in Note 37(d).

22(a) SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests

The total non-controlling interests as at 31 December 2018 is RMB18,548,814,000(2017: RMB17,120,840,000). The material non-controlling interests are set out below.

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000* (Restated)
Subsidiaries with material non-controlling interests		
Shanghai Datun	**3,893,100**	3,778,171
China Coal Huajin *(note)*	**6,761,703**	5,649,026
Mengda Mining	**1,266,847**	1,217,610
Yihua Mining	**1,952,972**	1,943,860
	13,874,622	12,588,667

There are no significant restrictions on the ability of subsidiaries to transfer funds to the Company.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below is the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The summarised financial information below represents amounts before intragroup elimination.

Note:

As stated in Note 3, during the year, the Group completed the acquisition from China Coal Group the 100% equity interest in Jincheng Energy through China Coal Huajin, a non-wholly owned subsidiary of the Company. The acquisitions are considered as business combinations under common control. As a result, the consolidated financial statements of China Coal Huajin for the year ended 31 December 2017 have been restated as if Jincheng Energy was subsidiary of China Coal Huajin ever since they became under common control of China Coal Group.

22(a) SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (continued)

Summarised financial information on subsidiaries with material non-controlling interests (continued)

Summarised statement of financial position

	Shanghai Datun	
	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Current assets	**2,816,318**	2,998,816
Non-current assets	**12,757,728**	12,039,970
	15,574,046	15,038,786
Current liabilities	**4,604,130**	3,485,333
Non-current liabilities	**786,190**	1,807,837
	5,390,320	5,293,170
Equity attributable to owners of the Company	**6,290,626**	5,967,445
Non-controlling interests of Shanghai Datun	**3,736,898**	3,542,410
Non-controlling interests of Shanghai Datun's subsidiaries	**156,202**	235,761
Net assets	**10,183,726**	9,745,616

22(a) SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (continued)

Summarised financial information on subsidiaries with material non-controlling interests (continued)

Summarised statement of financial position (continued)

	China Coal Huajin	
	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
		(Restated)
Current assets	**6,676,714**	6,299,292
Non-current assets	**14,592,464**	12,766,587
	21,269,178	19,065,879
Current liabilities	**4,590,471**	4,404,063
Non-current liabilities	**4,091,878**	4,036,589
	8,682,349	8,440,652
Equity attributable to owners of the Company	**5,825,126**	4,976,201
Non-controlling interests of China Coal Huajin	**5,622,215**	4,806,581
Non-controlling interests of China Coal Huajin's subsidiaries	**1,139,488**	842,445
Net assets	**12,586,829**	10,625,227

22(a) SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (continued)

Summarised financial information on subsidiaries with material non-controlling interests (continued)

Summarised statement of financial position (continued)

	Mengda Mining	
	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Current assets	**1,552,009**	1,014,448
Non-current assets	**10,063,219**	10,086,436
	11,615,228	11,100,884
Current liabilities	**4,712,491**	2,076,808
Non-current liabilities	**3,176,716**	5,442,869
	7,889,207	7,519,677
Equity attributable to owners of the Company	**2,459,174**	2,363,597
Non-controlling interests of Mengda Mining	**1,266,847**	1,217,610

	Yihua Mining	
	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Current assets	**628,423**	980,294
Non-current assets	**9,350,178**	9,268,119
	9,978,601	10,248,413
Current liabilities	**1,632,593**	1,387,574
Non-current liabilities	**4,360,351**	4,893,777
	5,992,944	6,281,351
Equity attributable to owners of the Company	**2,032,685**	2,023,202
Non-controlling interests of Yihua Mining	**1,952,972**	1,943,860

22(a) SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (continued)

Summarised financial information on subsidiaries with material non-controlling interests (continued)

Summarised statement of profit or loss and other comprehensive income

	Shanghai Datun	
	2018	2017
	RMB'000	*RMB'000*
Revenue	**6,849,198**	6,334,068
Profit before income tax	**635,600**	433,950
Income tax expense	**25,961**	168,408
Profit for the year	**609,639**	265,542
Other comprehensive income for the year	**7,129**	–
Total comprehensive income for the year	**616,768**	265,542
Dividends paid to non-controlling interests of Shanghai Datun	**59,736**	27,153
Profit attributable to owners of the Company	**430,254**	292,850
Profit attributable to the non-controlling interests of Shanghai Datun	**258,924**	176,237
Loss attributable to the non-controlling interests of Shanghai Datun's subsidiaries	**(79,539)**	(203,545)
Other comprehensive income attributable to owners of the Company	**4,463**	–
Other comprehensive income attributable to the non-controlling interests of Shanghai Datun	**2,686**	–
Other comprehensive expense attributable to the non-controlling interests of Shanghai Datun's subsidiaries	**(20)**	–
Total comprehensive income attributable to owners of the Company	**434,717**	292,850
Total comprehensive income attributable to the non-controlling interests of Shanghai Datun	**261,610**	176,237
Total comprehensive expense attributable to the non-controlling interests of Shanghai Datun's subsidiaries	**(79,559)**	(203,545)

22(a) SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (continued)

Summarised financial information on subsidiaries with material non-controlling interests (continued)

Summarised statement of profit or loss and other comprehensive income (continued)

	China Coal Huajin	
	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Revenue	**9,824,169**	8,566,239
Profit before income tax	**5,460,416**	4,352,804
Income tax expense	**1,426,175**	1,160,844
Profit for the year	**4,034,241**	3,191,960
Other comprehensive income for the year	**2,642**	–
Total comprehensive income for the year	**4,036,883**	3,191,960
Dividends paid to non-controlling interests of China Coal Huajin	**111,789**	134,000
Profit attributable to owners of the Company	**1,598,005**	1,284,932
Profit attributable to the non-controlling interests of China Coal Huajin	**1,535,338**	1,234,543
Profit attributable to the non-controlling interests of China Coal Huajin's subsidiaries	**900,898**	672,485
Other comprehensive income attributable to owners of the Company	**5,288**	–
Other comprehensive income attributable to the non-controlling interests of China Coal Huajin	**5,081**	–
Other comprehensive expense attributable to the non-controlling interests of China Coal Huajin's subsidiaries	**(7,727)**	–
Total comprehensive income attributable to owners of the Company	**1,603,293**	1,284,932
Total comprehensive income attributable to the non-controlling interests of China Coal Huajin	**1,540,419**	1,234,543
Total comprehensive income attributable to the non-controlling interests of China Coal Huajin's subsidiaries	**893,171**	672,485

22(a) SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (continued)

Summarised financial information on subsidiaries with material non-controlling interests (continued)

Summarised statement of profit or loss and other comprehensive income (continued)

	Mengda Mining	
	2018	2017
	RMB'000	*RMB'000*
Revenue	**556,946**	29,305
Profit/(loss) before income tax	**161,255**	(871)
Income tax expense	**15,125**	–
Profit/(loss) for the year	**146,130**	(871)
Other comprehensive income for the year	**164**	–
Total comprehensive income(expense) for the year	**146,294**	(871)
Dividends paid to non-controlling interests of Mengda Mining	**–**	–
Profit/(loss) attributable to owners of the Company	**96,446**	(575)
Profit/(loss) attributable to the non-controlling interests of Mengda Mining	**49,684**	(296)
Other comprehensive income attributable to owners of the Company	**108**	–
Other comprehensive income attributable to the non-controlling interests of Mengda Mining	**56**	–
Total comprehensive income(expense) attributable to owners of the Company	**96,554**	(575)
Total comprehensive income(expense) attributable to the non-controlling interests of Mengda Mining	**49,740**	(296)

22(a) SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (continued)

Summarised financial information on subsidiaries with material non-controlling interests (continued)

Summarised statement of profit or loss and other comprehensive income (continued)

	Yihua Mining	
	2018	2017
	RMB'000	*RMB'000*
Revenue	**245,064**	848
Profit/(loss) before income tax	**18,251**	(4,055)
Income tax expense	**(597)**	–
Profit/(loss) for the year	**18,848**	(4,055)
Other comprehensive income for the year	**37**	–
Total comprehensive income(expense) for the year	**18,885**	(4,055)
Dividends paid to non-controlling interests of Yihua Mining	**–**	–
Profit/(loss) attributable to owners of the Company	**9,613**	(2,068)
Profit/(loss) attributable to the non-controlling interests of Yihua Mining	**9,235**	(1,987)
Other comprehensive income attributable to owners of the Company	**19**	–
Other comprehensive income attributable to the non-controlling interests of Yihua Mining	**18**	–
Total comprehensive income(expense) attributable to owners of the Company	**9,632**	(2,068)
Total comprehensive income(expense) attributable to the non-controlling interests of Yihua Mining	**9,253**	(1,987)

22(a) SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (continued)

Summarised financial information on subsidiaries with material non-controlling interests (continued)

Summarised statement of cash flows

	Shanghai Datun		China Coal Huajin		Mengda Mining		Yihua Mining	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
				(Restated)				
Net cash inflow from operating activities	**1,010,910**	830,841	**3,663,981**	3,948,082	**781,538**	1,083,282	**177,251**	967,324
Net cash (outflow) inflow from investing activities	**(1,011,284)**	(515,188)	**(2,689,809)**	(200,399)	**(3,539,632)**	(944,020)	**7,207,687**	(918,044)
Net cash (outflow) inflow from financing activities	**(359,875)**	(504,443)	**(2,675,958)**	(1,721,313)	**2,755,709**	(136,897)	**(7,385,009)**	(49,310)
Net cash (outflow) inflow	**(360,249)**	(188,790)	**(1,701,786)**	2,026,370	**(2,385)**	2,365	**(71)**	(30)

22(b) INVESTMENTS IN ASSOCIATES

	2018	2017
	RMB'000	*RMB'000*
Beginning of the year	**16,376,591**	12,008,565
Additions	**107,208**	2,113,828
Transfer	**–**	1,963,800
Disposal	**(2,450)**	(3,364)
Share of profits	**683,458**	460,376
Dividends	**(306,276)**	(166,614)
Others	**1,782**	–
End of the year	**16,860,313**	16,376,591

Set out below are the associates of the Group as at 31 December 2018, which, in the opinion of the directors of the Company, are material to the Group. All of the associates are unlisted and there are no quoted market price available for their shares. The country of establishment or registration is also their principal place of business.

22(b) INVESTMENTS IN ASSOCIATES (CONTINUED)

Details of material associates as at 31 December 2018 and 2017

Name of entity	Place of business/country of establishment	% of ownership interest	Measurement method
Zhongtian Synergetic Energy Company Limited (“Zhongtian Synergetic”)	Ordos, the PRC	38.75 (2017:38.75)	Equity
Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited (“Shaanxi Yanchang”)	Yulin, the PRC	19.05 (2017:21.43)	Equity

Summarised financial information for material associates

Set out below are the summarised financial information for associates which are material to the Group and accounted for using the equity method. The summarised financial information below represents amounts shown in the associate’s financial statements prepared in accordance with IFRSs.

Summarised statement of financial position

	Zhongtian Synergetic		Shaanxi Yanchang	
	31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
	RMB’000	*RMB’000*	***RMB’000***	*RMB’000*
Current				
Cash and cash equivalents	**3,431,235**	4,515,519	**94,536**	61,279
Other current assets (excluding cash)	**3,246,173**	3,716,242	**5,029,466**	4,011,696
Total current assets	**6,677,408**	8,231,761	**5,124,002**	4,072,975
Financial liabilities (excluding trade payables)	**–**	–	**(800,000)**	–
Other current liabilities (including trade payables)	**(9,945,097)**	(10,667,708)	**(4,047,260)**	(3,701,382)
Total current liabilities	**(9,945,097)**	(10,667,708)	**(4,847,260)**	(3,701,382)
Non-current				
Total non-current assets	**50,104,158**	51,690,678	**22,633,029**	22,706,635
Financial liabilities	**(27,912,000)**	(31,472,000)	**(9,234,767)**	(10,917,724)
Other liabilities	**(45,367)**	(21,623)	**–**	–
Total non-current liabilities	**(27,957,367)**	(31,493,623)	**(9,234,767)**	(10,917,724)
Net assets	**18,879,102**	17,761,108	**13,675,004**	12,160,504

22(b) INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised financial information for material associates (continued)

Summarised statement of profit or loss and other comprehensive income

	Zhongtian Synergetic		Shaanxi Yanchang	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	**12,235,200**	3,569,170	**12,392,203**	11,164,033
Profit before income tax	**1,624,679**	376,474	**1,371,334**	1,321,663
Post-tax profit for the year	**1,117,994**	245,156	**1,139,500**	1,138,311
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income for the year	**1,117,994**	245,156	**1,139,500**	1,138,311
Dividends received from the associate during the year	**–**	–	**214,313**	–

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associates (if any).

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in associates

	Zhongtian Synergetic		Shaanxi Yanchang	
Summarised financial information	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Opening net assets at 1 January	**17,761,108**	17,515,952	**12,160,504**	8,028,094
Profit for the year	**1,117,994**	245,156	**1,139,500**	1,138,311
Capital contribution from shareholders	**–**	–	**1,500,000**	3,000,000
Dividends	**–**	–	**(1,125,000)**	–
Others	**–**	–	**–**	(5,901)
Closing net assets at 31 December	**18,879,102**	17,761,108	**13,675,004**	12,160,504
The Group's shares of net assets	**7,315,652**	6,882,429	**2,605,088**	2,605,996
Carrying value of interest in associates	**7,315,652**	6,882,429	**2,679,939**	2,652,368

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22(b) INVESTMENTS IN ASSOCIATES (CONTINUED)

Reconciliation of summarised financial information (continued)

Aggregate information of associates that are not individually material

	31 December 2018 RMB'000	31 December 2017 RMB'000
The Group's share of profit	**8,352**	121,438
The Group's share of other comprehensive income	**–**	–
The Group's share of total comprehensive income	**8,352**	121,438
Aggregate carrying amount of the Group's interests in these associates	**6,864,722**	6,841,794

22(c) INVESTMENTS IN JOINT VENTURES

	2018 RMB'000	2017 RMB'000
Beginning of the year	**2,626,321**	2,020,163
Additions	**65,000**	17,000
Share of profit	**1,125,193**	662,117
Dividends	**(866,645)**	(72,959)
Others	**16,523**	–
End of the year	**2,966,392**	2,626,321

All of the joint ventures are unlisted and there is no quoted market price available for their shares.

Detail of material joint ventures as at 31 December 2018 and 2017:

Name of entity	Place of business/ country of establishment	% of ownership interest	Measurement method
Yan'an Hecaogou Coal Company Limited ("Hecaogou Coal")	Yan'an, the PRC	50.00 (2017:50.00)	Equity
Hebei CNC Risun Coking Limited ("Risun Coking")	Hebei, the PRC	45.00 (2017:45.00)	Equity

22(c) INVESTMENTS IN JOINT VENTURES (CONTINUED)

Summarised financial information for material joint ventures

Set out below are the summarised financial information for joint ventures which are material to the Group and accounted for using the equity method. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

Summarised statement of financial position

	Hecaogou Coal		Risun Coking	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current				
Cash and cash equivalents	**368,758**	93,948	**480,314**	376,904
Other current assets (excluding cash)	**320,755**	557,519	**730,184**	1,183,584
Total current assets	**689,513**	651,467	**1,210,498**	1,560,488
Financial liabilities (excluding trade payables)	**–**	(686,230)	**(90,000)**	(226,667)
Other current liabilities (including trade payables)	**(799,905)**	(729,609)	**(2,139,750)**	(2,456,227)
Total current liabilities	**(799,905)**	(1,415,839)	**(2,229,750)**	(2,682,894)
Non-current				
Total non-current assets	**4,404,830**	4,481,080	**3,302,546**	3,132,196
Financial liabilities	**(597,000)**	(210,000)	**(242,674)**	(290,405)
Other liabilities	**(146,748)**	(148,815)	**(129,698)**	(209,641)
Total non-current liabilities	**(743,748)**	(358,815)	**(372,372)**	(500,046)
Net assets	**3,550,690**	3,357,893	**1,910,922**	1,509,744

22(c) INVESTMENTS IN JOINT VENTURES (CONTINUED)

Summarised financial information for material joint ventures (continued)

Summarised statement of profit or loss and other comprehensive income

	Hecaogou Coal		Risun Coking	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	**2,386,379**	2,092,136	**8,219,114**	8,491,627
Profit before income tax	**1,376,436**	1,004,619	**1,631,259**	711,974
Post-tax profit for the year	**1,159,751**	843,964	**1,215,945**	540,435
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**1,159,751**	843,964	**1,215,945**	540,435
Dividends received during the year	**500,000**	–	**275,459**	28,756

The information above reflects the amounts presented in the financial statements of the joint ventures (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the joint ventures (if any).

Reconciliation of summarised financial information

	Hecaogou Coal		Risun Coking	
Summarised financial information	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Opening net assets at 1 January	**3,357,893**	2,513,929	**1,509,744**	969,308
Profit for the year	**1,159,751**	843,964	**1,215,945**	540,436
Contributions	**33,046**	–	**–**	–
Dividends	**(1,000,000)**	–	**(814,767)**	–
Closing net assets at 31 December	**3,550,690**	3,357,893	**1,910,922**	1,509,744
The Group's share of net assets	**1,775,345**	1,678,946	**859,915**	679,384
Carrying value of interest in joint ventures	**1,775,345**	1,678,946	**893,143**	712,638

22(c) INVESTMENTS IN JOINT VENTURES (CONTINUED)

Reconciliation of summarised financial information (continued)

Aggregate information of joint ventures that are not individually material

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
The Group's share of loss	**(1,858)**	(3,061)
The Group's share of other comprehensive income	**–**	–
The Group's share of total comprehensive expense	**(1,858)**	(3,061)
Aggregate carrying amount of the Group's interests in these joint ventures	**297,904**	234,737

23. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2018 *RMB'000*
Listed securities:	
– equity securities listed in the PRC	**25,565**
Unlisted securities:	
– equity securities *(note)*	**4,538,286**
Total	**4,563,851**

Note: The above unlisted equity investments represent the Group's equity interest in a private entity established in the PRC.

The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they are not held for trading purpose.

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017
	RMB'000
Beginning of the year	5,467,784
Additions	37,331
Transfer	(1,963,800)
Disposal	(9,386)
Increase in fair value	1,420
Impairment provision	(41,658)
End of the year	3,491,691

Available-for-sale financial assets include the following:

	31 December 2017
	RMB'000
Listed securities:	
– equity securities, listed in the PRC, at fair value	33,086
Unlisted securities:	
– equity securities, at cost *(note)*	3,458,605
	3,491,691

Note: These investments carried at cost less impairment represented investments in equity shares of unlisted entities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

25. LONG-TERM RECEIVABLES

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Finance lease receivables	**417,695**	317,241
Others	**143,255**	144,898
Total	**560,950**	462,139

The long-term receivables are neither past due nor impaired as at 31 December 2018 and 2017. The carrying amounts of long-term receivables approximate their fair values.

26. OTHER NON-CURRENT ASSETS

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000* (Restated)
Prepayments for long-term investments *(note(a))*	**3,428,559**	3,157,295
Prepayments for mining rights *(note (b))*	**1,015,000**	1,215,000
Prepayments for constructions in progress and equipment	**68,533**	85,294
Prepayments for land use rights *(note (b))*	**517,410**	635,266
Deductible value added tax	**615,391**	276,305
Loans to fellow subsidiaries *(note (c))*	**580,497**	608,850
Prepaid income tax	**37,149**	37,149
Others	**509,650**	554,428
Total	**6,772,189**	6,569,587

Notes:

(a) In line with the Group's strategy of expanding its coal resources, the Group has entered into a series of agreements for the acquisitions and restructuring of several local coal mines. As the relevant legal procedures are still in process, such payments are recorded as other non-current assets.

(b) As the relevant legal procedures related to mining rights licenses and land use certificate are still in process, such payments are recorded as other non-current assets. These prepayments will be transferred to mining rights and land use rights respectively upon completion of related legal procedures.

(c) The loans to fellow subsidiaries are unsecured and repayable after 12 months from the balance sheet date with the interest rate of 4.75%-5.94% (2017: 4.75%-4.90%) per annum.

Included in the carrying amount of the loans to fellow subsidiaries as at 31 December 2018 is accumulated impairment losses of RMB10,198,000 (31 December 2017: RMB6,150,000). Details of impairment assessment for the year ended 31 December 2018 are set out in Note 48.

27. INVENTORIES

	31 December 2018 RMB'000	31 December 2017 RMB'000 (Restated)
Coal	**891,976**	775,599
Machinery for sale	**4,190,228**	3,951,397
Coal chemical products	**580,148**	538,234
Auxiliary materials, spare parts and tools	**2,590,400**	2,396,857
	8,252,752	7,662,087

The provisions for impairment of inventories of the Group amounted to RMB293,359,000 as at 31 December 2018 (2017: RMB173,728,000).

28. 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
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**	–

28. TRADE AND NOTES RECEIVABLES/DEBT INSTRUMENTS AT FVTOCI (CONTINUED)

Notes:

(a) Trade receivables are analysed as follows:

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000* (Restated)
Trade receivables		
– Associates	**523,063**	540,725
– Joint ventures	**15,005**	56,324
– Fellow subsidiaries	**427,914**	752,488
– Third parties	**3,915,407**	5,450,337
Trade receivables, net	**4,881,389**	6,799,874

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

28. TRADE AND NOTES RECEIVABLES/DEBT INSTRUMENTS AT FVTOCI (CONTINUED)

Notes: (continued)

(a) Trade receivables are analysed as follows: (continued)

Movement of the allowance for doubtful debts of trade receivables is as follows:

	2017 *RMB'000* (Restated)
Beginning of the year	531,561
Provision for impairment of trade receivables	135,398
Reversal of provision for impairment of trade receivables	(29,926)
Disposal of subsidiaries	(133,793)
At the end of the year	503,240

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.

Details of impairment assessment of trade receivables for the year ended 31 December 2018 are set out in Note 48.2.

(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

28. TRADE AND NOTES RECEIVABLES/DEBT INSTRUMENTS AT FVTOCI (CONTINUED)

Notes: (continued)

(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.

29. CONTRACT ASSETS

	31 December 2018 *RMB'000*	1 January 2018 *RMB'000*
Coal mining machinery – current	**1,014,869**	–

The provision for impairment of contract assets of the Group amounted to RMB3,106,000 as at 31 December 2018.

The contract assets primarily relate to the Group's right to consideration for mining machinery delivered but not billed because the rights are conditional mainly on obtaining the customers' testing certificate as stipulated in the contracts. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfer the contract assets to trade receivables in 12 months.

30. PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000* (Restated)
Advances to suppliers *(note (a))*	**1,630,726**	1,404,071
Entrusted loans *(note (b))*	**–**	402,000
Interest receivable	**161,660**	96,413
Dividends receivable	**281,888**	267,646
Loans to the fellow subsidiaries *(note (c))*	**2,425,308**	2,642,189
Other amounts due from related parties, gross *(note (d))*	**1,266,822**	753,592
Other amounts due from third parties, gross *(note (e))*	**2,177,844**	2,146,190
	7,944,248	7,712,101
Less: Allowance for credit losses	**(499,138)**	(446,059)
Prepayments and other receivables, net *(note (g))*	**7,445,110**	7,266,042

Notes:

(a) Advances to suppliers are analysed as follows:

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000* (Restated)
Advances to suppliers		
– Associates	**157,415**	116,494
– Fellow subsidiaries	**32,898**	49,387
– Third parties	**1,440,413**	1,238,190
	1,630,726	1,404,071

As at 31 December 2018 and 2017, advanced to related parties are unsecured and interest-free.

30. PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(b) Entrusted loans are analysed as follows:

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Entrusted loans		
– Joint ventures *(note)*	**–**	402,000

Note:

As at 31 December 2017, the entrusted loan to a joint venture amounted to RMB300,000,000 is unsecured and repayable in 2018 with an interest rate of 5.39% per annum, the entrusted loan is fully repaid in current year.

As at 31 December 2017, the entrusted loan to a joint venture amounted to RMB102,000,000 is unsecured and repayable in 2018 with an interest rate of 6.18% per annum, the entrusted loan is fully repaid in current year.

(c) Loans to the fellow subsidiaries are unsecured and repayable within 12 months from the balance sheet date with the interest rate ranging from 4.35% to 5.655% (2017: from 4.35% to 4.79%) per annum.

(d) Other amounts due from related parties are analysed as follows:

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000* (Restated)
Amounts due from related parties, gross		
– Associates	**27,108**	28,668
– China Coal Group and its subsidiaries	**1,239,714**	56,896
– An associate of China Coal Group	**–**	668,028
	1,266,822	753,592
Less: Allowance for credit losses	**(11,135)**	(9,582)
Amounts due from related parties, net	**1,255,687**	744,010

Other amounts due from related parties are unsecured, interest-free and repayable on demand.

30. PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(e) Aging analysis of other amounts due from third parties on each balance date is as follows:

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000* (Restated)
Within 1 year	**1,545,908**	1,462,155
1 – 2 years	**38,909**	85,649
2 – 3 years	**62,867**	102,319
Over 3 years	**530,160**	496,067
Other amounts due from third parties, gross	**2,177,844**	2,146,190
Less: Allowance for credit losses	**(442,788)**	(397,784)
Other amounts due from third parties, net	**1,735,056**	1,748,406

(f) The provision for impairment mainly relates to amounts due from third parties and related parties.

Movement of the allowance for doubtful debts of other receivables is as follows:

	2017 *RMB'000* (Restated)
At the beginning of the year	380,074
Provision for impairment of other receivables	113,293
Reversal of provision for impairment of other receivables	(12,921)
Disposal of subsidiaries	(34,387)
At the end of the year	446,059

Details of impairment assessment of other receivables for the year ended 31 December 2018 are set out in Note 48.2.

(g) The carrying amounts of other receivables approximate their fair values.

(h) There are no collaterals for other receivables.

(i) The carrying amounts of other receivables are denominated in the following currencies:

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000* (Restated)
RMB	**5,847,803**	5,894,620
USD	**–**	71
Others	**5,780**	5,973
	5,853,583	5,900,664

31. CASH AND BANK DEPOSITS

	31 December 2018 RMB'000	31 December 2017 RMB'000 (Restated)
Restricted bank deposits *(note (a))*	**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
– Cash on hand	**504**	764
– Deposits with banks and other financial institutions	**8,353,158**	10,175,919
	23,860,706	18,820,436

(a) Restricted bank deposits mainly include the deposits set aside for the environmental restoration fund and the transformation fund as required by the regulations, the deposits set aside for land rehabilitation, letter of credit deposits, bank acceptance bill deposits, letter of guarantee deposits and China Coal Finance's mandatory reserve deposits in the People's Bank of China.

(b) As at 31 December 2018, the interest rates on deposits ranged from 0.30% to 4.55% (2017: 0.30% to 6.20%) per annum.

(c) As at 31 December 2018, deposits amounting 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).

(d) Deposits and cash and cash equivalents are denominated in the following currencies:

	31 December 2018 RMB'000	31 December 2017 RMB'000 (Restated)
RMB	**23,646,086**	18,519,646
USD	**202,729**	291,386
Others	**11,891**	9,404
	23,860,706	18,820,436

Cash and bank deposits are principally RMB-denominated deposits placed with banks in the PRC. The conversion of RMB-denominated deposits into foreign currencies and remittance out of the PRC are subject to certain PRC rules and regulations of foreign exchange control promulgated by the PRC government.

(e) The carrying amount of bank deposits approximates their fair value.

32. 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) Trade payables are analysed as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000 (Restated)
Trade payables		
– Fellow subsidiaries	**2,126,471**	5,560,696
– A joint venture	**451**	1,567
– Associates	**196,385**	625,037
– Third parties	**16,753,461**	13,781,634
	19,076,768	19,968,934

Trade payables due to related parties are unsecured, interest-free and payable in accordance with the relevant contracts entered into between the Group and the related parties.

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

32. TRADE AND NOTES PAYABLES (CONTINUED)

Notes: (continued)

(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) (Note 31(c)).

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) (Note 28(e)).

33. CONTRACT LIABILITIES

	31 December 2018 *RMB'000*	1 January 2018* *RMB'000* (Restated)
Coal	**1,101,113**	1,232,770
Coal-chemical products	**500,229**	514,995
Mining machinery	**820,629**	605,877
Other	**56,932**	–
	2,478,903	2,353,642

* The amounts in this column are after the adjustments from the application of IFRS 15.

33. CONTRACT LIABILITIES (CONTINUED)

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities:

	Coal	**Coal Chemical**	**Mining machinery**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year	1,223,082	514,995	567,951	2,306,028

There is no revenue recognised from the performance obligation satisfied in prior periods.

For the coal and coal-chemical products, the Group received certain amount in advance before delivery of goods which is accounted for as contract liabilities. When the control of coal and coal-chemical products transfers, as detailed in Note 8, the previously recognised contract liabilities are recognised as revenue.

For the mining machinery, the Group usually receives 30% of the contract amount in advance before delivery of the goods which is accounted for as the contract liabilities in the consolidated financial statements. When the mining machinery are delivered to the customers, the previously recognised contract liabilities are recognised as revenue.

34. ACCRUALS, ADVANCES AND OTHER PAYABLES

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000* (Restated)
Customer deposits and receipts in advances *(note (a))*	**–**	2,639,128
Payables for acquisition of subsidiaries	**460,637**	618,925
Payable for compensation for local mining companies	**328,770**	187,547
Dividends payable	**259,730**	284,420
Payables for site restoration	**175,711**	246,654
Mineral and water resource compensation payable	**39,331**	42,107
Salaries and staff welfare payable	**1,575,674**	1,455,663
Interest payable	**1,003,540**	867,086
Commission payable *(Note 37)*	**123,000**	141,000
Payables for mining rights *(Note 41)*	**503,918**	203,699
Advance from a non-controlling interest of a subsidiary	**217,349**	188,237
Contractors' deposits	**227,483**	315,134
Deposits from fellow subsidiaries *(note (b))*	**8,979,014**	5,087,196
Other amounts due to related parties *(note (c))*	**529,648**	500,532
Other amounts due to third parties	**1,917,218**	1,710,262
Other tax payable	**1,731,830**	1,150,582
	18,072,853	15,638,172

Notes:

(a) Customer deposits and receipts in advance are analysed as follows:

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000* (Restated)
Customer deposits and receipts in advances		
– Fellow subsidiaries	**–**	28,394
– Associates	**–**	9,289
– Third parties	**–**	2,601,445
	–	2,639,128

(b) The balance represents fellow subsidiaries' deposits in the saving account at China Coal Finance Co., Ltd. ("China Coal Finance"), a 91% owned subsidiary of the Company. The deposits are unsecured and payable on demand or due within 12 months from the balance sheet date, with interest rates ranged from 0.35% to 3.15% (2017:from 0.35% to 2.25%) per annum.

34. ACCRUALS, ADVANCES AND OTHER PAYABLES (CONTINUED)

Notes: (continued)

(c) Other amounts due to related parties are analysed below:

	31 December 2018 RMB'000	31 December 2017 RMB'000 (Restated)
Amounts due to related parties, gross		
– Parent Company	**236,773**	205,494
– Fellow subsidiaries	**291,961**	291,961
– Associates	**149**	3,077
– Joint ventures	**765**	–
	529,648	500,532

Amounts due to related parties are unsecured, interest-free and payable on demand.

(d) The carrying amounts of accruals, advance and other payables approximate their fair values.

(e) The carrying amounts of accruals, advance and other payables are denominated in the following currencies:

	31 December 2018 RMB'000	31 December 2017 RMB'000 (Restated)
– RMB	**18,070,411**	15,638,172
– Other currencies	**2,442**	–
	18,072,853	15,638,172

35. SHORT-TERM BONDS

	31 December 2018 RMB'000	31 December 2017 RMB'000
Short-term bonds	**–**	3,000,000

On 20 July 2017, the Company issued RMB3,000,000,000 one-year short-term bonds with a par value of RMB100 each and received a net proceeds of RMB2,992,500,000 after deducting the underwriting commission of RMB7,500,000. These bonds carry a fixed coupon rate of 4.53% per annum.

On 24 July 2018, the Company had full repaid the principal and interests of the bonds when the bonds become due.

36. BORROWINGS

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000* (Restated)
Short-term borrowings		
Bank loans and loans from other financial institutions		
– Secured *(note (e))*	**21,000**	120,885
– Guaranteed *(note (d))*	**130,000**	149,000
– Unsecured	**6,156,547**	7,326,148
	6,307,547	7,596,033
Long-term borrowings		
Bank loans and loans from other financial institutions		
– Secured *(note (e))*	**1,984,070**	3,297,534
– Guaranteed *(note (d))*	**1,391,494**	1,826,494
– Unsecured	**53,625,023**	53,221,455
	57,000,587	58,345,483
Loans from non-controlling interests		
– Unsecured	**162,000**	162,000
	57,162,587	58,507,483
Less: amount due within one year under current liabilities	**(11,845,531)**	(13,872,506)
	45,317,056	44,634,977
Total borrowings	**63,470,134**	66,103,516

36. BORROWINGS (CONTINUED)

Notes:

(a) At 31 December 2018, the Group's long-term borrowings were repayable as follows:

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000* (Restated)
Bank loans and loans from other financial institutions		
– Within one year	**11,825,531**	13,872,506
– Between one and two years	**16,278,116**	9,946,334
– Between two and five years	**19,368,919**	22,699,847
– Over five years	**9,528,021**	11,826,796
	57,000,587	58,345,483
Loans from non-controlling interests		
– Within one year	**20,000**	–
– Between one and two years	**20,000**	20,000
– Between two and five years	**60,000**	60,000
– Over five years	**62,000**	82,000
	162,000	162,000

(b) At 31 December 2018, the exposures of the Group's borrowings are as follows:

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000* (Restated)
Fixed-rate borrowings	**3,243,672**	12,690,092
Variable-rate borrowings	**60,226,462**	53,413,424
	63,470,134	66,103,516

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	31 December 2018	31 December 2017
Fixed-rate borrowings	**4.13% to 10.39%**	3.92% to 6.88%
Variable-rate borrowings	**4.13% to 6.43%**	4.11% to 5.39%

(c) As at 31 December 2018 and 2017, all borrowings were denominated in RMB.

36. BORROWINGS (CONTINUED)

Notes: (continued)

(d) The guaranteed borrowings are as follows:

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
		(Restated)
Guaranteed by non-controlling shareholders of subsidiaries:		
– Guizhou Panjiang Investment Holdings Group Co., Ltd.	**68,000**	65,000
– Jizhong Energy Group Co., Ltd.	**67,844**	132,844
– the Company and Shanxi Coking Coal	**1,323,650**	1,693,650
– Liaoning Electric Group Co., Ltd.	**62,000**	74,000
– China Coal Asset Management Group Co,. Ltd.	**–**	10,000
	1,521,494	1,975,494

(e) The secured borrowings are as follows:

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Secured by:		
– Property, plant and equipment	**1,894,070**	3,162,534
– Land use rights	**20,000**	20,000
– Trade and notes receivables/debt instrument at FVTOCI	**91,000**	235,885
Total	**2,005,070**	3,418,419

All the other borrowings of the Group are unsecured bank loans.

37. LONG-TERM BONDS

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Bonds payable	**33,843,146**	26,770,347
Commission payable	**171,000**	237,000
	34,014,146	27,007,347
Less: current portion of long-term bonds	**5,979,779**	–
current portion of commission payable *(Note 34)*	**123,000**	141,000
Long-term bonds	**27,863,367**	26,770,347
Commission payable – non-current	**48,000**	96,000
	27,911,367	26,866,347

Notes:

(a) On 18 September 2012, the Company issued 50,000,000 corporate bonds with a par value of RMB100 each and received a total proceeds of RMB5,000,000,000. The bonds are fully repayable on 19 September 2019 when they become due. These bonds carry a coupon rate of 5.12% annum and the interest charge will be paid on 19 September annually in each of the following seven years. The effective interest rate is 5.38% per annum.

In addition, the Company is obliged to pay RMB84,000,000 to the underwriter as the underwriting commission, which is payable in seven instalments of RMB12,000,000 annually. First instalment of RMB12,000,000 was paid on 19 September 2012 when the transaction was completed and the same amount is payable on 19 September in each of the following six years.

(b) On 23 July 2013, the Company issued 50,000,000 corporate bonds with a par value of RMB100 each and received a total proceeds of RMB5,000,000,000. The bonds are fully repayable on 25 July 2020 when they become due. These bonds carry a coupon rate of 5.26% per annum and the interest charge will be paid on 25 July annually in each of the following seven years. The effective interest rate is 5.51% per annum.

In addition, the Company is obliged to pay RMB84,000,000 to the underwriter as the underwriting commission, which is payable in seven instalments of RMB12,000,000 annually. First instalment of RMB12,000,000 was paid on 25 July 2013 when the transaction was completed and the same amount is payable on 25 July in each of the following six years.

(c) On 16 September 2013, the Company issued 50,000,000 corporate bonds with a par value of RMB100 each and received a total proceeds of RMB5,000,000,000. The bonds are fully repayable on 18 September 2020 when they become due. These bonds carry a coupon rate of 5.60% per annum and the interest charge will be paid on 18 September annually in each of the following seven years. The effective interest rate is 5.85% per annum.

In addition, the Company is obliged to pay RMB84,000,000 to the underwriter as the underwriting commission, which is payable in seven instalments of RMB12,000,000 annually. As agreed with the underwriter, first instalment of RMB12,000,000 was paid on 18 September 2014 and the same amount is payable on 19 September in each of the following six years.

(d) On 23 October 2014, Shanghai Datun issued 10,000,000 corporate bonds with a par value of RMB100 each and received a net proceeds of RMB985,000,000 after deducting the underwriting commission of RMB15,000,000. The bonds are fully repayable on 23 October 2019 when they become due. These bonds carry a coupon rate of 5.28% per annum and the interest charge will be paid on 23 October annually in each of the following five years. The effective interest rate is 5.63% per annum.

37. LONG-TERM BONDS (CONTINUED)

Notes: (continued)

(e) On 17 June 2015, the Company issued 100,000,000 corporate bonds with a par value of RMB100 each and received a total proceeds of RMB10,000,000,000. The bonds are fully repayable on 18 June 2022 when they become due. These bonds carry a coupon rate of 4.95% per annum and the interest charge will be paid on 18 June annually in each of the following seven years. The effective interest rate is 5.20% per annum.

In addition, the Company is obliged to pay RMB168,000,000 to the underwriter as the underwriting commission, which is payable in seven instalments of RMB24,000,000 annually. As agreed with the underwriter, first instalment of RMB24,000,000 was paid on 18 June 2015 when the transaction was completed and the same amount is payable on 18 June in each of the following six years.

(f) On 20 July 2017, the Company issued 10,000,000 corporate bonds with a par value of RMB100 each and received a net proceeds of RMB997,000,000 after deducting the underwriting commission of RMB3,000,000. These bonds carry a coupon rate of 4.61% per annum with teams of 5 years, the interest charge will be paid 20 July annually. The Company is entitled to adjust the coupon rate at the end of the third year with the rights of redemption exercisable by the bond holders.

(g) On 9 May 2018, the Company issued 11,000,000 corporate bonds with a par value of RMB100 each and received a net proceeds of RMB1,096,700,000 after deducting the underwriting commission of RMB3,300,000. These bonds carry a coupon rate of 4.85% per annum with teams of 5 years, the interest charge will be paid 9 May annually. The Company is entitled to adjust the coupon rate at the end of the third year with the rights of redemption exercisable by the bond holders.

On the same day, the Company issued 4,000,000 corporate bonds with a par value of RMB100 each and received a net proceeds of RMB398,800,000 after deducting the underwriting commission of RMB1,200,000. These bonds carry a coupon rate of 5.00% per annum with teams of 7 years, the interest charge will be paid 9 May annually. The Company is entitled to adjust the coupon rate at the end of the fifth year with the rights of redemption exercisable by the bond holders.

(h) On 5 June 2018, the Company issued 17,000,000 corporate bonds with a par value of RMB100 each and received a net proceeds of RMB1,694,900,000 after deducting the underwriting commission of RMB5,100,000. These bonds carry a coupon rate of 4.90% per annum with teams of 5 years, the interest charge will be paid 5 June annually. The Company is entitled to adjust the coupon rate at the end of the third year with the rights of redemption exercisable by the bond holders.

(i) On 6 July 2018, the Company issued 22,000,000 corporate bonds with a par value of RMB100 each and received a net proceeds of RMB2,193,400,000 after deducting the underwriting commission of RMB6,600,000. These bonds carry a coupon rate of 4.69% per annum with teams of 5 years, the interest charge will be paid 6 July annually. The Company is entitled to adjust the coupon rate at the end of the third year with the rights of redemption exercisable by the bond holders.

On the same day, the Company issued 8,000,000 corporate bonds with a par value of RMB100 each and received a net proceeds of RMB797,600,000 after deducting the underwriting commission of RMB2,400,000. These bonds carry a coupon rate of 4.89% per annum with teams of 7 years, the interest charge will be paid 6 July annually. The Company is entitled to adjust the coupon rate at the end of the fifth year with the rights of redemption exercisable by the bond holders.

37. LONG-TERM BONDS (CONTINUED)

Notes: (continued)

(j) On 26 July 2018, the Company issued 8,000,000 corporate bonds with a par value of RMB100 each and received a net proceeds of RMB797,600,000 after deducting the underwriting commission of RMB2,400,000. These bonds carry a coupon rate of 4.40% per annum with teams of 5 years, the interest charge will be paid 26 July annually. The Company is entitled to adjust the coupon rate at the end of the third year with the rights of redemption exercisable by the bond holders.

The bonds are initially recognised at the amount of the total proceeds net of the commission paid or payable on the dates of issuance. The accrued interest is recorded in interest payable as follows:

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Interest payable for long-term bonds	**743,079**	562,446

The fair value of long-term bonds is as follows:

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Long-term bonds	**29,340,763**	27,199,966

The fair values of long-term bonds are within Level 1 of the fair value hierarchy.

38. DEFERRED INCOME TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
		(Restated)
Deferred tax liabilities:		
Deferred tax assets	**2,838,271**	2,783,767
Deferred tax liabilities	**(5,929,183)**	(5,988,603)
	(3,090,912)	(3,204,836)

38. DEFERRED INCOME TAX (CONTINUED)

The gross movements on the deferred tax account are as follows:

	2018	2017
	RMB'000	*RMB'000*
Beginning of the year	**(3,240,968)**	(3,756,363)
Addition from acquisition of subsidiaries under common control	**–**	14
Disposals of subsidiaries *(Note 44)*	**–**	(20,609)
Credited to profit or loss *(Note 15)*	**142,949**	572,477
Credited (charged) to other comprehensive income *(Note 15)*	**7,107**	(355)
End of year	**(3,090,912)**	(3,204,836)

Deferred income tax assets are recognised for tax losses carried-forward and deductible temporary differences to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group had not recognised deferred income tax assets in respect of certain subsidiaries' accumulated tax losses of RMB3,898,043,000 (2017: RMB1,533,449,000) and deductible temporary differences of RMB2,018,261,000 (2017: RMB1,562,691,000) respectively as at 31 December 2018. The accumulated tax losses will expire between 2019 and 2023. The Group did not recognise these deferred income tax assets as management believes that it is more likely than not that such tax losses and deductible temporary differences would not be utilised in the foreseeable future.

Tax losses that has not been recognised as deferred income tax assets will be expired in the following years:

	31 December 2018	31 December 2017
	RMB'000	*RMB'000* (Restated)
2018	**–**	131,648
2019	**163,020**	166,557
2020	**206,539**	210,833
2021	**492,902**	496,007
2022	**519,325**	528,404
2023	**2,516,257**	–
	3,898,043	1,533,449

38. DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

Deferred tax assets:

	Trial production	Unrealised profit	Tax losses	Amortisation	Impairment of assets	Deductible temporary differences arising from investments in subsidiaries	Accrued expenses	Fair value adjustments on debt instruments at FVTOCI	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017 (restated)	93,865	140,481	2,209,627	87,297	199,965	32,440	127,683	–	169,436	3,060,794
Business combination under common control	–	–	–	–	14	–	–	–	–	14
Credited/(charged) to profit or loss	2,607	(48,714)	670,258	32,374	117,146	52,261	149,076	–	104,372	1,079,380
Disposal of subsidiaries *(Note 44)*	–	–	(4,766)	–	(17,880)	–	–	–	–	(22,646)
At 31 December 2017	96,472	91,767	2,875,119	119,671	299,245	84,701	276,759	–	273,808	4,117,542
Adjustments *(Note 4)*	–	–	–	–	–	–	–	28,373	–	28,373
At 1 January 2018	**96,472**	**91,767**	**2,875,119**	**119,671**	**299,245**	**84,701**	**276,759**	**28,373**	**273,808**	**4,145,915**
(Charged)/credited to profit or loss	**(9,645)**	**356,244**	**(1,215,934)**	**(2,331)**	**95,376**	**119,946**	**23,045**	**–**	**27,185**	**(606,114)**
Charged to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,271)**	**–**	**(5,271)**
At 31 December 2018	**86,827**	**448,011**	**1,659,185**	**117,340**	**394,621**	**204,647**	**299,804**	**23,102**	**300,993**	**3,534,530**

38. DEFERRED INCOME TAX (CONTINUED)

Deferred tax liabilities:

	Depreciation	Mining funds (*note(a)*)	Fair value adjustments not deductible for tax purpose	Fair value adjustments for equity instruments	Deferred stripping costs	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	(21,332)	(766,446)	(6,021,047)	(3,758)	–	(4,574)	(6,817,157)
Credited/(charged) to profit or loss	10,144	70,960	149,451	–	(741,970)	4,512	(506,903)
Charged to other comprehensive income	–	–	–	(355)	–	–	(355)
Disposal of subsidiaries *(Note 44)*	–	–	2,037	–	–	–	2,037
At 31 December 2017	(11,188)	(695,486)	(5,869,559)	(4,113)	(741,970)	(62)	(7,322,378)
Adjustments *(Note 4)*	–	–	–	(64,505)	–	–	(64,505)
At 1 January 2018	**(11,188)**	**(695,486)**	**(5,869,559)**	**(68,618)**	**(741,970)**	**(62)**	**(7,386,883)**
(Charged)/credited to profit or loss	**(75,769)**	**24,894**	**58,841**	**–**	**741,970**	**(873)**	**749,063**
Credited to other comprehensive income	**–**	**–**	**–**	**12,378**	**–**	**–**	**12,378**
At 31 December 2018	**(86,957)**	**(670,592)**	**(5,810,718)**	**(56,240)**	**–**	**(935)**	**(6,625,442)**

Note:

(a) Pursuant to certain regulations of the PRC government, the Group is required to set aside amounts for the future development funds (Note 43 (b)), safety fund (Note 43 (c)), transformation and environmental restoration fund (Note 43 (d)(i)) and sustainable development fund (Note 43 (d)(ii)), collectively the "mining funds". Before 30 April 2011, for those amounts that are deductible for tax purposes when they are set aside but are expensed when they are utilised for accounting purpose, a deferred tax liability is recorded for the temporary differences in respect of excess amount of funds deducted for tax purposes.

According to a new PRC tax regulation effective from 1 May 2011, future development funds and safety funds are no longer tax deductible when they are set side but only tax deductible when they are utilised. As such, no additional deferred tax liability will be generated for these mining funds from 1 May 2011 onwards.

39. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	31 December 2018 RMB'000	31 December 2017 RMB'000
Beginning of the year	**1,365,798**	1,378,108
Interest charge on unwinding of discounts	**40,440**	38,625
Provision	**64,319**	20,315
Reversal	**–**	(47,538)
Payments	**(6,982)**	(23,712)
End of the year	**1,463,575**	1,365,798
Less: current portion	**(13,310)**	(18,950)
	1,450,265	1,346,848

Mining activities may result in land subsidence, which could lead to losses to the residents of the mining areas. Pursuant to the relevant PRC regulations, the Group is required to make compensation payments to the residents for their losses resulting from land subsidence, or to restore the mining areas back to certain acceptable conditions.

Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or results of operations of the Group. The PRC government, however, has moved and may move further towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to, coal mines and land development areas, whether operating, closed or sold, (ii) the extent of required cleanup efforts, (iii) varying costs of alternative remediation strategies, (iv) changes in environmental remediation requirements, and (v) the identification of new remediation sites.

The provision for close down, restoration and environmental clean up costs has been determined by management based on their past experience and best estimate of future expenditure by discounting the expected expenditures to their net present value. However, in so far as the effect on the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to revision in the future. The amounts provided in relation to close down, restoration and environmental clean up costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are updated accordingly.

40. DEFERRED REVENUE

Deferred revenue mainly consists of the government grants, which are recognised in profit or loss according to the depreciable periods of the related assets and the periods in which the related costs incurred, which the grants are intended to compensate. Government grants of RMB87,887,000 (2017: RMB1,110,013,000) have been received in the current year.

41. OTHER LONG-TERM LIABILITIES

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Payables for mining rights *(note)*	**2,635,058**	580,188
Others	**352,401**	447,522
	2,987,459	1,027,710
Less: current portion *(Note 34)*	**(503,918)**	(203,699)
	2,483,541	824,011

Note:

The payables for mining rights are mainly the unpaid balances of the consideration for purchasing mining rights.

According to relevant purchase agreements, considerations are paid by instalment before April 2021. The current portion of the payables is included in other payables (Note 34).

42. SHARE CAPITAL

	Number of shares *(thousands)*	**Share capital** *RMB'000*
At 31 December 2017 and 2018:		
Domestic shares ("A shares") of RMB1.00 each		
– held by China Coal Group	**7,605,208**	7,605,208
– held by other shareholders	**1,546,792**	1,546,792
H shares of RMB1.00 each		
– held by a wholly-owned subsidiary of China Coal Group	**132,351**	132,351
– held by other shareholders	**3,974,312**	3,974,312
	13,258,663	13,258,663

There is no movement in the Company's issued share capital during the years ended 31 December 2018 and 2017.

Notes:

(a) The A shares rank pari passu, in all material respects, with the H shares.

(b) As at 31 December 2018 and 2017, China Coal Hong Kong Company Limited, a wholly-owned subsidiary of China Coal Group, held approximately 132,351,000 H Shares of the Company, representing around 1.00% of the Company's total share capital.

43. RESERVES AND RETAINED EARNINGS

	Capital reserve RMB'000	Statutory reserve funds RMB'000 (note a)	General Reserve RMB'000	Future development fund RMB'000 (note b)	Safety fund RMB'000 (note c)	Other funds related to coal mining RMB'000 (note d)	Translation reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
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

43. RESERVES AND RETAINED EARNINGS (CONTINUED)

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.

43. RESERVES AND RETAINED EARNINGS (CONTINUED)

Notes: (continued)

(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.

44. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2017, the Group and another shareholder hold 50% and 50% interests of Xi'an Coal Mining Machinery Co., Ltd. ("Xi'an Machinery") respectively. Xi'an Machine is previously accounted as a subsidiary of the Company after consideration of the concerted action letter from the other shareholder. During the year, the concerted action letter was not renewed. It is treated as deemed disposal of a subsidiary, and the Group accounted the investment in Xi'an Machine as a joint venture.

During the year ended 31 December 2017, the Group disposed entire interests of China Coal and Coke Holdings Limited (Tianjin) and Shanxi Coal Transportation and Sales Co., Ltd. to the Parent Company with the consideration amounting to RMB13,421,000.

During the year ended 31 December 2017, the Group entered into a Capital Injection Agreement with the Parent Company, the Group intended to obtain 29.32% equity interests of Pingshuo Industrial Company Limited ("Pingshuo Industrial") by injection of certain assets and liabilities, 80% equity interests of China Coal Pingshuo Explosion Equipment Co., Ltd., 60% equity interests of China Coal Huayu Equipment Maintenance Co., Ltd. and related debts. After the injection, the Group has 29.32% equity shares of Pingshuo Industrial, which is accounted as an associate of the Group.

44. DISPOSAL OF SUBSIDIARIES (CONTINUED)

The carrying amount of identifiable assets and liabilities disposed as at the disposal date were as follows:

Consideration received:	2017 *RMB'000*
Cash received	13,421
Fair value of the interest in Pingshuo Industrial	1,571,393
Fair value of the interest in Xi'an Machine	300,784
Total consideration received	1,885,598
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	1,738,106
Intangible assets	5,852
Land use rights	127,796
Deferred income tax assets	22,646
Other non-current asset	10,927
Inventories	572,584
Trade and notes receivables	1,657,316
Prepayments and other receivables	128,183
Cash and cash equivalents	266,110
Trade and notes payables	(746,220)
Short-term borrowings	(35,000)
Taxes payable	(32,163)
Accruals and other payables	(1,506,103)
Deferred income tax liabilities	(2,037)
Deferred revenue	(1,849)
Net assets disposed of:	2,206,148
Gain on disposal of subsidiaries and certain assets and liabilities:	
Total consideration received	1,885,598
Net assets disposed of	(2,206,148)
Non-controlling interest	387,134
	66,584
Net cash outflow arising on disposal:	
Cash consideration	13,421
Less: bank balances and cash disposed of	(266,110)
	(252,689)

45. CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to net cash inflows generated from operations

	2018 *RMB'000*	2017 *RMB'000* (Restated)
Profit before income tax	**10,007,487**	7,075,008
Adjustments for:		
Depreciation charge	**6,959,157**	6,317,678
Amortisation charge	**590,752**	607,696
Provision for impairment of property, plant and equipment	**863,475**	801,415
Provision for impairment of prepayment	**506**	10,259
Provision for impairment of other non-current assets	**–**	142,196
Provision for impairment of inventories	**143,016**	50,023
Provision for impairment of land use rights	**–**	24,445
Provision for impairment of mining rights	**99,335**	686,580
Impairment loss, net of reversal		
– Provision for impairment of receivables	**120,507**	198,158
– Provision for loans to the fellow subsidiaries	**12,784**	11,880
– Provision for impairment of contract assets	**3,106**	–
– Provision for impairment of available-for-sale financial assets	**–**	41,658
Provision of the obligation	**45,713**	–
Net losses/(gains) on disposals of property, plant and equipment, land use rights and intangible assets	**82,099**	(83,352)
Share of profits of associates and joint ventures	**(1,808,651)**	(1,122,493)
Net foreign exchange (gains)/losses	**(14,145)**	14,346
Gain on disposal of subsidiaries	**–**	(66,584)
Gain on disposal of investments in associates	**(380)**	–
Interest income on term deposits with initial terms of over three months and loans receivable	**(305,645)**	(203,329)
Interest expense	**4,359,321**	3,870,908
Dividend income	**(4,810)**	(79,537)
Provision for/(reversal of) close down, restoration, and environmental costs	**64,319**	(27,223)
Operating cash flows before movement in working capital	**21,217,946**	18,269,732
Changes in working capital:		
Inventories	**(723,010)**	(664,617)
Trade and notes receivables/debt instrument at FVTOCI	**(131,031)**	(4,227,817)
Contract assets	**(1,017,975)**	–
Contract liabilities	**125,261**	–
Prepayments and other receivables	**(8,176)**	168,904
Trade and notes payables	**422,274**	3,860,186
Accruals, advances and other payables	**4,022,997**	2,095,859
Restricted bank deposits	**(882,490)**	(537,894)
Cash generated from operations	**23,025,796**	18,964,353

45. CASH GENERATED FROM OPERATIONS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

The table below details major changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings *RMB'000*	Short-term bonds *RMB'000*	Bonds *RMB'000*	Other payables *RMB'000* *(note 1)*	Other long-term liabilities *RMB'000* *(note 2)*	Total *RMB'000*
At 1 January2018 (restated)	66,103,516	3,000,000	26,866,347	1,292,506	55,745	97,318,114
Proceeds from bonds and borrowings	19,092,960	–	6,990,081	–	535	26,083,576
Repayment of bonds and borrowings	(21,625,457)	(3,000,000)	–	–	–	(24,625,457)
Dividend and interest paid	–	–	–	(6,566,300)	–	(6,566,300)
Bonds commission fee paid	–	–	(9,919)	(42,000)	–	(51,919)
Finance costs	–	–	68,637	5,241,885	–	5,310,522
Dividend declared	–	–	–	1,633,581	–	1,633,581
Repayment of borrowings by bank acceptance notes	(100,885)	–	–	–	–	(100,885)
Transfer	–	–	(24,000)	24,000	–	–
Dividend paid by bank acceptance notes	–	–	–	(197,400)	–	(197,400)
At 31 December 2018	**63,470,134**	**–**	**33,891,146**	**1,386,272**	**56,280**	**98,803,832**

Notes:

1. Amounts mainly represented dividends payable, interest payables and bond commission fee payables.

2. Amounts only represented the other long-term loan due to a third party included in other long-term liabilities.

(c) Major non-cash transactions

The major non-cash transactions for the year ended 31 December 2018 includes:

The Group endorsed bank acceptance notes amounting to RMB1,228,315,000 (2017: RMB1,041,527,000) to settle the payables for purchase of property, plant and equipment during the year.

46. 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.

47. 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

48. FINANCIAL RISK MANAGEMENT

48.1 Categories of financial instruments

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Assets		
Equity instruments at FVTOCI	**4,563,851**	–
Available-for-sale financial assets	**–**	3,491,691
Debt instruments at FVTOCI	**9,989,407**	–
Financial assets at amortised costs (classified as loans and receivables under IAS 39)		
– Trade and other receivables excluding prepayments	**7,279,563**	17,989,101
– Long-term receivables	**143,255**	144,898
– Loans to the fellow subsidiaries	**3,005,805**	3,251,039
– Restricted bank deposits and term deposits over three months	**15,507,044**	8,643,753
– Cash and cash equivalents	**8,353,662**	10,176,683
Total	**48,842,587**	43,697,165

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Liabilities		
Financial liabilities at amortised cost		
– Borrowings	**63,470,134**	66,103,516
– Bonds	**33,891,146**	29,866,347
– Trade and other payables	**37,992,269**	33,282,168
– Other long-term liabilities	**2,297,941**	645,880
Total	**137,651,490**	129,897,911

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Financial risk management objectives and policies

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign currency risk

The Group's operations (such as export sales, imports of machinery and equipment, foreign currency deposits (Note 31(d)), trade and notes receivables (Note 28(c)) and trade and notes payables (Note 32(b)) expose it to currency risk arising from various currency exposures primarily with respect to the USD.

The Group historically has not used any derivative instruments to hedge exchange rate of USD and currently does not have a fixed policy to do so in the foreseeable future. If USD had appreciated/depreciated by 10% against RMB, the Group's post-tax profit for 2018 would have increased/decreased approximately by RMB14,961,000 (2017: RMB24,924,000), with all other variables held constant.

(ii) Interest rate risk

The Group's interest rate risk arises from long-term interest bearing borrowings including long-term borrowings and long-term bonds. Borrowings at variable rates expose the Group to cash flow interest-rate risk while borrowings and long-term bonds at fixed rates expose the Group to fair value interest-rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates.

Other than those mentioned above, the Group's income and operating cash flows are substantially independent of changes in the market interest rates.

If interest rates on borrowings at variable rates had been 50 basis points (2017: 50 basis points) higher/lower with all other variables held constant, post-tax profit for 2018 would have been approximately RMB182,069,000 (2017: RMB148,879,000) lower/higher after consideration of capitalisation of interest expenses.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Financial risk management objectives and policies (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(iii) Other price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTOCI (2017: available-for-sale financial assets measured at fair value). In addition, the Group also invested in certain unquoted equity securities for long term strategic purposes which had been designed as at FVTOCI upon initial application of IFRS 9.

(b) Credit risk and impairment assessment

As at 31 December 2018, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of financial guarantees provided by the Group is disclosed in Note 47. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and financial guarantee contracts.

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed every year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

Loans to the Parent Company and its subsidiaries/financial guarantee contacts

The Group provided loans to the Parent Company and its subsidiaries and provided financial grantee mainly to related parties. The Group monitors the financial performance of the borrowers in regular basis to manage the credit risk of the Group.

Debt instruments at FVTOCI

The debt instruments at FVTOCI is the bank and commercial acceptance notes which are received from the customers of the Group. The Group classified them as debt instrument at FVTOCI because they are 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. The Group reviewed the issuer's credit rating, and received the acceptance notes from issuers with good credit rating.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Financial risk management objectives and policies (continued)

Financial risk factors (continued)

(b) Credit risk and impairment assessment (continued)

Bank balance

The credit risks on bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

The tables below detail the credit risk exposures of the Group's financial assets, contact assets, finance lease receivables and financial guarantee contacts, which is subject to ECL assessment:

	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial Assets				
Debt instruments at FVTOCI	9,989,407	–	–	9,989,407
Financial assets at amortised costs				
– Trade receivables *(note 2)*	N/A	5,268,125	182,636	5,450,761
– Other receivables	2,391,721	35,566	430,826	2,858,113
– Long-term receivables	143,255	–	–	143,255
– Loans to the fellow subsidiaries	3,050,695	–	–	3,050,695
– Restricted bank deposits and term deposits over three months	15,507,044	–	–	15,507,044
– Cash and cash equivalents	8,353,662	–	–	8,353,662
Other items subject to ECL				
Contract assets *(note 2)*	N/A	1,017,975	–	1,017,975
Finance lease receivables *(note 2)*	N/A	417,695	–	417,695
Financial guarantee contacts *(note 1)*	14,747,955	–	–	14,747,955

Notes:

1. For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

2. For trade receivables, finance lease receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Financial risk management objectives and policies (continued)

Financial risk factors (continued)

(b) Credit risk and impairment assessment (continued)

Bank balance (continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and contract assets under the simplified approach.

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2018	**450,337**	**52,903**	**503,240**
– Impairment losses recognised	**58,706**	**59,209**	**117,915**
– Impairment losses reversed	**(44,909)**	**(1,960)**	**(46,869)**
– Write-offs	**–**	**(2,653)**	**(2,653)**
– Others	**845**	**–**	**845**
As at 31 December 2018	**464,979**	**107,499**	**572,478**

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The following tables show reconciliation of loss allowances that has been recognised for other receivables, long-term receivables, entrust loans, interest and dividends receivables, loans to the fellow subsidiaries, amounts due from related parties/third parties:

	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2018	**99,144**	**728**	**339,601**	**439,473**
– Impairment losses recognised	**13,559**	**6,907**	**46,078**	**66,544**
– Impairment losses reversed	**(178)**	**(40)**	**(975)**	**(1,193)**
– Others	**–**	**–**	**5**	**5**
As at 31 December 2018	**112,525**	**7,595**	**384,709**	**504,829**

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Financial risk management objectives and policies (continued)

Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of borrowing facilities. Due to the dynamic nature of the underlying businesses, the Group maintains a reasonable level of cash and cash equivalents, and further supplements this by keeping committed credit lines available.

The Group's primary cash requirements have been for purchases of materials, machinery and equipment and payment of related debts. The Group finances its working capital requirements through a combination of funds generated from operations, bank loans, bonds and the net proceeds from share issue.

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents (Note 31)) on the basis of expected cash flow.

As at 31 December 2018, the Group's current liabilities exceeded its current assets by approximately RMB13,663 million. The details of the way to mitigate the liquidity risk are set out in Note 2.1.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Financial risk management objectives and policies (continued)

Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the undiscounted cash outflow relating to the Group's financial liabilities into relevant maturity groupings based on the earliest date on which the Group can be required to pay.

	Weighted average interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018							
Bank borrowings	**4.95%**	**20,836,288**	**18,203,357**	**21,748,818**	**10,931,444**	**71,719,907**	**63,470,134**
Bonds	**5.04%**	**7,775,050**	**12,442,250**	**18,466,390**	**–**	**38,683,690**	**33,891,146**
Trade and other payables	**N/A**	**37,992,269**	**–**	**–**	**–**	**37,992,269**	**37,992,269**
Other long-term liabilities	**N/A**	**–**	**422,341**	**662,485**	**1,363,767**	**2,448,593**	**2,297,941**
Financial guarantees	**N/A**	**14,747,955**	**–**	**–**	**–**	**14,747,955**	**–**
Total		**81,351,562**	**31,067,948**	**40,877,693**	**12,295,211**	**165,592,414**	**137,651,490**
At 31 December 2017 (restated)							
Bank borrowings	4.97%	24,805,699	12,031,920	26,272,363	15,912,102	79,022,084	66,103,516
Bonds	5.03%	4,452,900	7,440,900	23,170,100	–	35,063,900	29,866,347
Trade and other payables	N/A	33,282,168	–	–	–	33,282,168	33,282,168
Other long-term liabilities	N/A	–	369,433	318,484	9,890	697,807	645,880
Financial guarantees	N/A	16,522,207	–	–	–	16,522,207	–
Total		79,062,974	19,842,253	49,760,947	15,921,992	164,588,166	129,897,911

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses. For information relating to the Group's financial guarantee contracts, please refer to Note 47.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Fair value estimation

This note provides information about how the Group determines fair values of various financial assets and financial liabilities. Some of the Group's financial instruments are measured at fair value for financial reporting purposes.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31 December 2018 *RMB'000*	31 December 2017 *RMB'000*	Fair value hierarchy	Valuation technique(s) and key input(s)
1) Listed equity instruments at FVTOCI	**25,565**	–	Level 1	Quoted bid prices in an active market.
2) Available-for-sale financial assets	**–**	33,086	Level 1	Quoted bid prices in an active market.
3) Debt instruments at FVTOCI	**9,989,407**	–	Level 2	Discounted cash flow at a discount rate that reflects the credit risk of the drawee of notes at the end of the reporting period. Income approach – the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate.
4) Unlisted equity instruments at FVTOCI	**4,538,286**	–	Level 3	Market approach – valuations are derived by reference to observable valuation measures for comparable companies, and adjusted for the differences between the investment and the referenced comparables.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Fair value estimation (continued)

(ii) Reconciliation of Level 3 fair value measurements of financial assets

Reconciliation of Level 3 fair value measurements of financial assets

	RMB'000
1 January 2018	**3,707,613**
Additions	**1,080,000**
Total losses in other comprehensive income	**(177,664)**
Others	**(71,663)**
31 December 2018	**4,538,286**

Included in other comprehensive income is loss of RMB177,664,000 (2017: Nil) relating to unlisted equity securities designated as at FVTOCI held at the end of the current reporting period and is reported as changes of 'other reserves'.

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair value.

	As at 31 December 2018		As at 31 December 2017	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	RMB'000	***RMB'000***	RMB'000 (Restated)	RMB'000 (Restated)
Long-term borrowings (Level 2)	**45,317,056**	**45,624,922**	44,634,977	44,920,338
Long-term bonds (Level 1)	**33,891,146**	**35,466,685**	26,866,347	27,199,966

The fair value of long-term borrowings was determined based on discounted cash flows and the key input is the discount rate that reflects the credit risk of the borrowers. The fair value of long-term bonds was based on quoted market price.

49. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, bonds and deposits from fellow subsidiaries less cash and cash equivalents. Total capital is calculated as "equity" under China Accounting Standards for Business Enterprises and net debt.

The gearing ratios at 31 December 2018 and 2017 were as follows:

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000* (Restated)
Total borrowings, bonds and deposits from fellow subsidiaries	**106,469,148**	101,271,163
Less: cash and cash equivalents	**(8,353,662)**	(10,176,683)
Net debt	**98,115,486**	91,094,480
Total equity	**110,681,929**	106,404,463
Total capital	**208,797,415**	197,498,943
Gearing ratio	**47%**	46%

50. COMMITMENTS

(a) Capital commitments

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

	2018	2017
	RMB'000	*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

50. COMMITMENTS (CONTINUED)

(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, 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.

51. SIGNIFICANT RELATED PARTY TRANSACTIONS

Transactions and balances with the PRC government-related entities

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities").

51. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions and balances with the PRC government-related entities (continued)

Set out below is a summary of significant related party transactions in the years ended 31 December 2018 and 2017.

(a) *Transactions with the Parent Company, fellow subsidiaries, associates and joint ventures of the Group, and primary shareholders with significant influence over subsidiaries*

In addition to those disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties:

	2018	2017
	RMB'000	*RMB'000*
Transactions with the Parent Company and fellow subsidiaries		
Coal Export and Sales (i)		
Charges paid for agency services of coal export	**–**	752
Integrated Material and Services Mutual Provision (ii)		
Purchase of production material, machinery and equipment from the Parent Company and fellow subsidiaries	**4,138,004**	3,105,508
Charges for social and support services provided by the Parent Company and fellow subsidiaries	**40,991**	78,769
Sales of production material, machinery and equipment to the Parent Company and fellow subsidiaries	**535,089**	761,161
Mine Construction, Design and General Contracting Service (iii)		
Charges for mine construction and design services provided by the Parent Company and fellow subsidiaries	**2,053,753**	1,862,330
Property Leasing (iv)		
Rental fees paid to the Parent Company and fellow subsidiaries	**108,708**	81,661
Land Use Right Leasing (v)		
Rental fees paid to the Parent Company and fellow subsidiaries	**49,670**	49,867
Coal Supplies (vi)		
Coal purchased from the Parent Company and fellow subsidiaries	**3,756,644**	3,628,760

51. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions and balances with the PRC government-related entities (continued)

(a) Transactions with the Parent Company, fellow subsidiaries, associates and joint ventures of the Group, and primary shareholders with significant influence over subsidiaries (continued)

	2018	2017
	RMB'000	*RMB'000*
Financial Services (vii)		
Loans provided to the Parent Company and fellow subsidiaries	**4,495,695**	5,123,312
Loans repayment received from the Parent Company and fellow subsidiaries	**4,653,000**	3,920,000
Deposits received from the Parent Company and fellow subsidiaries	**3,806,691**	1,931,610
Interest paid to the Parent Company and fellow subsidiaries	**49,710**	57,843
Interest received from the Parent Company and fellow subsidiaries	**153,268**	91,561
Charges for providing entrusted loans	**2,047**	2,926
Fee paid for use of trademark to the Parent Company(viii)	**RMB1**	RMB1

Notes:

(i) Under the relevant PRC laws and regulations, coal exports shall only be made through one of four authorised PRC enterprises including China Coal Group. The Company appointed China Coal Group as its coal export sales agent under a Coal Export and Sales Agency Framework Agreement entered into on 5 September 2006. Pursuant to the agreement, the agency fee is determined based on market price and the agency fee for the coal exports and sales to the China Taiwan market is extra plus USD0.5 per ton of coal products sold. The agency fees are payable on a monthly basis, effective from 31 December 2008.

(ii) The Company and China Coal Group entered into Integrated Materials and Services Mutual Provision Framework Agreement on 5 September 2006, under which the Company provides to China Coal Group and China Coal Group provides to the Company production material supplies and ancillary services, and the Company also provides to China Coal Group export-related services. The Company and China Coal Group entered into Supplementary Agreement to Integrated Materials and Services Mutual Provision Framework Agreement on 31 December 2012. Pursuant to the agreement, the service fee is 65% of the actual export agency fee charged by China Coal Group in respect of each ton of coal products exported. The above two agreements had been renewed to extend the term to 31 December 2020.

(iii) The Company and China Coal Group entered into Mine Construction and Design Framework Agreement on 5 September 2006, followed with contract renewal under the name of Mine Construction, Mine Design and General Contracting Service Framework Agreement upon its expiry date of 31 December 2008. Subsequently, the Company and China Coal Group extended this contract and changed its name to Project Design, Construction and General Contracting Framework Agreement when the contract was due on 31 December 2011. The deal mainly included:

- China Coal Group provides the Company with engineering design, construction and general contracting;
- China Coal Group undertakes projects which the Company subcontracts;
- For engineering design, construction and general contracting, services providers and pricing would be determined in the form of public bidding; and
- The agreement was effective until 31 December 2014.

The agreement had been renewed to extend the term to 31 December 2020.

51. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions and balances with the PRC government-related entities (continued)

(a) Transactions with the Parent Company, fellow subsidiaries, associates and joint ventures of the Group, and primary shareholders with significant influence over subsidiaries (continued)

Notes: (continued)

(iv) The Company and China Coal Group entered into a Property Lease Framework Agreement on 5 September 2006, pursuant to which the Company leases from China Coal Group certain buildings and properties in the PRC for general business and ancillary purposes. The annual lease payment is subject to review and adjustment every three year based on market price. The Company and China Coal Group renewed the Property Leasing Framework Agreement in 2014, which is effective until December 2024, agreeing a cap of annual lease payment of RMB105,000,000 for 2015 to 2017, and RMB111,040,000 for 2018 to 2020.

(v) The Company and China Coal Group entered into a Land Use Rights Lease Framework Agreement on 5 September 2006, pursuant to which the Company leases certain land use rights in the PRC from China Coal Group for general business and ancillary purposes. The annual lease payment is subject to review and adjustment every three year based on market price. This agreement is effective for 20 years. The cap of annual lease payment for 2018 to 2020 is RMB56,090,000.

(vi) The Company and China Coal Group entered into a Coal Supplies Framework Agreement on 5 September 2006, pursuant to which China Coal Group will sell all coal products produced from its retained mines exclusively to the Company, and has undertaken not to sell any such coal products to any third party. The agreement had been renewed to extend the term to 31 December 2020.

(vii) China Coal Finance Co., Ltd. and China Coal Group entered into a Financial Services Framework Agreement on 18 March 2014, under which the Company provides financial services to China Coal Group within its business scope. This agreement was effective until 31 December 2014, and had been renewed to extend the term to 31 December 2020.

(viii) The Company and China Coal Group entered into a Trademark License Framework Agreement on 5 September 2006, under which the Company is authorised to use partial registered trademarks of companies without use at the cost of RMB1. This agreement was effective for 10 years, and had been renewed on 23 August 2016 to extend the term to 22 August 2026.

51. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions and balances with the PRC government-related entities (continued)

(a) Transactions with the Parent Company, fellow subsidiaries, associates and joint ventures of the Group, and primary shareholders with significant influence over subsidiaries (continued)

	2018	2017
	RMB'000	*RMB'000*
Transactions with joint ventures of the Group:		
Sales and services provided:		
Sales of coal	**–**	2,845
Sales of machinery and equipment	**60,147**	12,325
Income from providing labour services	**–**	37
Income from renting property, plant and equipment	**–**	166
Purchases of goods and services:		
Purchases of coal	**–**	114,174
Received construction and technology services	**243**	1,526
Purchases of services	**–**	469
Financial services:		
Loan provided	**–**	102,000
Loans repayment received	**402,000**	1,052,000
Interest income	**6,120**	58,001
Transactions with associates of the Group:		
Sales and services provided:		
Sales of machinery and equipment	**259,182**	458,364
Sales of materials and spare parts	**111,419**	627
Railway rental income	**125,889**	139,941
Income from providing labour services	**90,503**	145,827
Sales of coal	**1,739,974**	1,545,622
Sales of providing production materials and auxiliary services	**74,180**	98,337
Income from providing labour services	**3,070**	95
Sales of public power and facilities income	**–**	89,222
Purchases of goods and services:		
Purchases of coal	**1,024,543**	1,719,532
Purchases of materials and spare parts	**171,730**	348,469
Transportation services purchased	**1,872,304**	1,466,692
Purchases of machinery and equipment	**4,134**	14,410
Receiving social services, railway custody service, construction and technical services	**1,867**	2,871

51. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions and balances with the PRC government-related entities (continued)

(a) Transactions with the Parent Company, fellow subsidiaries, associates and joint ventures of the Group, and primary shareholders with significant influence over subsidiaries (continued)

	2018	2017
	RMB'000	*RMB'000*
Transactions with a substantial shareholder of a significant subsidiary		
Sales and services provided (ix)		
Sales of coal	**471,313**	435,744
Sales of machinery and equipment	**79,355**	3,711
Infrastructural Project and Procurement of Coal Mining Facilities Services (ix)		
Charges for infrastructural project and procurement of coal mining facilities services	**–**	319

Note:

(ix) The Company and Shanxi Coking Coal Group Co., Ltd. ("Shanxi Coking Coal Group") entered into the Coal and Coal Related Products and Services Supply Agreement on 23 October 2014, under which the Group purchases the coal and coal related products and accepts services from Shanxi Coking Coal Group and its subsidiaries and Shanxi Coking Coal Group and its subsidiaries purchases the coal and coal related products and accepts services from the Group. The agreement had been renewed to extend the term to 31 December 2020.

Pursuant to the Coal and Coal Related Products and Services Supply Agreement, the prices will be based on the following pricing policy and order:

- as for the infrastructural project and procurement of coal mining facilities, the price shall be arrived by bidding process; and
- as for the supply of coal, the price shall be in accordance with the relevant market price.

	2018	2017
	RMB'000	*RMB'000*
Transactions with the primary shareholders with significant influence over subsidiaries		
Sales and services provided		
Sales of coal	**60,341**	163,811

51. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions and balances with the PRC government-related entities (continued)

(a) Transactions with the Parent Company, fellow subsidiaries, associates and joint ventures of the Group, and primary shareholders with significant influence over subsidiaries (continued)

Commitments to the Parent Company and fellow subsidiaries

	2018	2017
	RMB'000	*RMB'000*
With the Parent Company and fellow subsidiaries		
– Purchases of services	**603,877**	882,638
– Leasing payments	**720,173**	698,264
Total	**1,324,050**	1,580,902

Loan guarantees to related parties of the Group

	2018	2017
	RMB'000	*RMB'000*
Loan guarantees to		
– Associates	**13,940,589**	15,884,941
– A joint venture	**298,500**	105,000
Total	**14,239,089**	15,989,941

51. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions and balances with the PRC government-related entities (continued)

(b) Transactions with other government related entities in the PRC

Apart from transactions with China Coal Group, fellow subsidiaries, associates and joint ventures, and primary shareholders with significant influence over subsidiaries, the Group has extensive transactions with other government-related entities.

During the years ended 31 December 2017 and 2018, majority of the following Group's activities are conducted with other government-related entities:

- Sales of coal;
- Sales of machinery and equipment;
- Purchases of coal;
- Purchases of materials and spare parts;
- Purchases of transportation services; and
- Cash and bank balances and borrowings.

In addition to the above mentioned, transactions with other government-related entities also include but not limited to the following:

- Lease of assets;
- Retirement benefit plans.

These transactions are conducted in accordance with the contracts the Group entered into based on market prices.

51. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions and balances with the PRC government-related entities (continued)

(b) Transactions with other government related entities in the PRC (continued)

Key management compensation

Key management includes directors (executive and non-executive), supervisors and other key management personnel.

The compensation paid or payable to key management for employee services is shown below:

	2018	2017
	RMB'000	*RMB'000*
Salary, allowances and other benefits		
– Directors and supervisors	**2,261**	1,589
– Other key management	**4,589**	2,803
	6,850	4,392
Pension costs-defined contribution plans		
– Directors and supervisors	**148**	99
– Other key management	**512**	324
	660	423
	7,510	4,815

52. EVENTS AFTER THE REPORTING PERIOD

- On 1 February 2019, Shaanxi Yulin, and Shanxi Xiaohuigou Coal Industry Company Limited ("Xiaohuigou Coal"), both of which are wholly-owned subsidiaries of the Company, entered into capacity replacement quota transaction agreements with Yangcun Coal Mine from China Coal Xinji Energy Co., Ltd. ("Xinji Energy"), a fellow subsidiary, to acquire the capacity replacement quota held by Xinji Energy.

  According to the agreement, Shaanxi Yulin and Xiaohuigou Coal acquired the capacity replacement quota of 950 thousand tonnes and 300 thousand tonnes per year held by Xinji Energy, at the consideration of RMB109,250,000 and RMB34,500,000 respectively, with the unit price of RMB115 per tonne.

- On 1 February 2019, the Group acquired the 100% equity interest in Shanxi China Coal Pingshuo Dongrisheng Coal Mining Co., Ltd. ("Dongrisheng Company") held by the Parent Company at the consideration of RMB24,317,600.

53. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	As at 31 December 2018	As at 31 December 2017
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Property, plant and equipment	**95,552**	94,756
Intangible assets	**69,053**	74,475
Investments in subsidiaries	**79,174,713**	77,760,592
Investments in associates	**12,088,949**	11,978,600
Investments in joint ventures	**213,433**	213,433
Equity instruments at fair value through other comprehensive income	**4,334,446**	–
Available-for-sale financial assets	**–**	2,566,772
Deferred income tax assets	**1,747,189**	1,799,654
Loans to subsidiaries	**21,554,506**	18,662,581
Other non-current assets	**1,132,757**	1,130,292
	120,410,598	114,281,155
Current assets		
Inventories	**556,528**	388,264
Trade receivables	**1,354,633**	936,275
Notes receivables	**–**	419,321
Debt instruments at fair value through other comprehensive income	**449,286**	–
Prepayments and other receivables	**10,572,608**	12,411,073
Term deposits with initial terms of over three months	**4,906,304**	2,016,524
Cash and cash equivalents	**5,502,342**	6,182,116
	23,341,701	22,353,573
TOTAL ASSETS	**143,752,299**	136,634,728
EQUITY		
Share capital	**13,258,663**	13,258,663
Reserves	**43,618,325**	42,765,694
Retained earnings	**17,999,065**	18,089,452
Total equity	**74,876,053**	74,113,809

53. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Statement of financial position of the Company (continued)

	As at 31 December 2018 *RMB'000*	As at 31 December 2017 *RMB'000*
LIABILITIES		
Non-current liabilities		
Long-term borrowings	**24,995,000**	18,644,000
Long-term bonds	**27,911,367**	25,872,239
	52,906,367	44,516,239
Current liabilities		
Trade and notes payables	**3,016,914**	2,495,114
Accruals, advances and other payables	**5,971,426**	6,514,447
Contract liabilities	**230,143**	–
Taxes payable	**60,918**	29,119
Short-term borrowings	**–**	1,600,000
Current portion of long-term borrowings	**1,708,000**	4,366,000
Current portion of long-term bonds	**4,982,478**	–
Short-term bonds	**–**	3,000,000
	15,969,879	18,004,680
Total liabilities	**68,876,246**	62,520,919
TOTAL EQUITY AND LIABILITIES	**143,752,299**	136,634,728

53. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Reserve movement of the Company

	Capital reserve *RMB'000*	Statutory reserve funds *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
Balance at 1 January 2017	38,713,240	3,981,043	4,129	18,271,562	60,969,974
Profit and total comprehensive income for the year	–	–	–	402,023	402,023
Appropriations	–	67,282	–	(67,282)	–
Dividends	–	–	–	(516,851)	(516,851)
Balance at 31 December 2017	38,713,240	4,048,325	4,129	18,089,452	60,855,146
Adjustments	–	–	178,663	–	178,663
At 1 January 2018 (restated)	38,713,240	4,048,325	182,792	18,089,452	61,033,809
Profit and total comprehensive income for the year	**–**	**–**	**(162,920)**	**760,961**	**598,041**
Appropriations	**–**	**121,973**	**–**	**(121,973)**	**–**
Dividends	**–**	**–**	**–**	**(729,375)**	**(729,375)**
Others	**–**	**–**	**714,915**	**–**	**714,915**
Balance at 31 December 2018	**38,713,240**	**4,170,298**	**734,787**	**17,999,065**	**61,617,390**

Financial Summary for Recent Five Years

Unit: RMB'000

	2014 Annual Report (Restated)	2015 Annual Report	2016 Annual Report (Restated)	2017 Annual Report (Restated)	**2018 Annual Report**
Revenue and Profit					
Revenue	70,663,840	59,270,865	60,664,109	81,512,560	**104,140,066**
Profit/(Loss) before income tax	679,280	-3,575,678	3,002,878	7,075,008	**10,007,487**
Income tax expense/(gain)	191,768	-748,178	299,265	1,656,129	**2,534,776**
Profit/(Loss) for the year	487,512	-2,827,500	2,703,613	5,418,879	**7,472,711**
Attributed to					
Equity holders of the Company	141,097	-3,266,791	1,716,167	3,367,239	**4,488,337**
Non-controlling interests	346,415	439,291	987,446	2,051,640	**2,984,374**
Dividends	319,787	–	514,532	724,328	**1,030,373**
Basic earning/(loss) per share attributable to the equity holders of the Company (RMB/Share)	0.01	-0.25	0.13	0.25	**0.34**
Assets and Liabilities					
Non-current assets	188,231,241	196,007,415	198,123,144	202,413,120	**209,122,005**
Current assets	55,780,939	62,018,579	44,572,628	49,587,129	**55,444,233**
Current liabilities	48,928,809	67,646,751	61,426,565	64,139,383	**69,107,412**
Net current assets/(liabilities)	6,852,130	-5,628,172	-16,853,937	-14,552,254	**-13,663,179**
Total assets less current liabilities	195,083,371	190,379,243	181,269,207	187,860,866	**195,458,826**
Non-current liabilities	92,154,223	90,096,820	79,128,099	81,438,432	**84,924,529**
Net assets	102,929,148	100,282,423	102,141,108	106,422,434	**110,534,297**
Equity attributable to the equity holders of the Company	86,903,743	83,707,569	86,074,280	89,301,594	**91,985,483**
Non-controlling interests	16,025,405	16,574,854	16,066,828	17,120,840	**18,548,814**

Company Profile

Statutory Chinese Name of the Company	中國中煤能源股份有限公司
Abbreviated Statutory Chinese Name of the Company	中煤能源股份
Statutory English Name of the Company	China Coal Energy Company Limited
Abbreviated Statutory English Name of the Company	China Coal Energy
Legal Representative of the Company	Li Yanjiang

INFORMATION ABOUT SECRETARY TO THE BOARD OF THE COMPANY

Name of Secretary to the Board	Yi Baohou
Contact Address of Secretary to the Board	Securities Affairs Department China Coal Energy Company Limited No. 1 Huangsidajie, Chaoyang District, Beijing, China
Contact Telephone Number of Secretary to the Board	(8610)-82236028
Fax Number of Secretary to the Board	(8610)-82256479
E-mail Address of Secretary to the Board	IRD@chinacoal.com

BASIC INFORMATION ABOUT THE COMPANY

Registered Address and Office Address of the Company	No. 1 Huangsidajie, Chaoyang District, Beijing, the PRC
Post Code	100120
Internet Website	http://www.chinacoalenergy.com
Email Address	IRD@chinacoal.com
Newspapers Designated for Information Disclosure	China Securities Journal, Securities Daily
Internet Website Designated by CSRC for Publication of Annual Reports	http://www.sse.com.cn
Internet Website Designated by The Stock Exchange of Hong Kong Limited	http://www.hkex.com.hk
Location for Inspection of Annual Reports of the Company	Securities Affairs Department China Coal Energy Company Limited No. 1 Huangsidajie, Chaoyang District, Beijing, China

BRIEF INFORMATION ABOUT SHARES OF THE COMPANY

Type of shares	Stock of Exchange for listing of shares	Short name of stock	Stock Code	Short name of stock before change
A Shares	Shanghai Stock Exchange	中煤能源	601898	
H Shares	The Stock Exchange of Hong Kong Limited	China Coal Energy	01898	

Authorised Representatives of the Company	Niu Jianhua, Yi Baohou[note]
Company Secretary	Yi Baohou

Company Profile

OTHER RELEVANT INFORMATION

Date of first registration of the Company	22 August 2006
Location of first registration of the Company	No. 1 Huangsidajie, Chaoyang District, Beijing, the PRC
Date of change in registration of the Company	28 June 2010
Location of change in registration of the Company	No change
Unified Social Credit Code	91110000710934289T

ACCOUNTING FIRMS OF THE COMPANY

Domestic accounting firm of the Company	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Office address of the domestic accounting firm of the Company	30/F, Bund Center, 222 Yan An Road East, Huangpu District, Shanghai, China
International accounting firm of the Company	Deloitte Touche Tohmatsu
Office address of the international accounting firm of the Company	35/F, One Pacific Place, 88 Queensway, Hong Kong

SPONSOR PERFORMING CONTINUOUS SUPERVISION DUTIES DURING THE REPORTING PERIOD

Name	China International Capital Corporation Limited	China Galaxy Securities Co., Ltd.
Office address	28th Floor, China World Office 2, 1 Jianguomenwai Avenue Beijing, PRC	2nd – 6th Floor, Tower C, Corporate Square, 35 Financial Street, Xicheng District Beijing, PRC
Signing sponsor representatives	Yao Xudong, Shi Fang	Wangfei, Zhang Yue

The continuous supervision period will last until the proceeds raised from A Share issuance have been used up.

LEGAL ADVISORS OF THE COMPANY

Legal advisor as to PRC law	Beijing Jiayuan Law Firm
Contact address	R407 Ocean Plaza, 158 Fuxingmennei Avenue, Xicheng District, Beijing, China
Legal advisor as to Hong Kong law	DLA Piper Hong Kong
Contact address	17/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong

SHARE REGISTRARS FOR DOMESTIC AND OVERSEAS LISTED SHARES

A Share Registrar	China Securities Depository and Clearing Corporation Limited Shanghai Branch
Contact Address	36/F, China Insurance Building, 166 Lujiazui East Avenue, Pudong New District, Shanghai, China
H Share Registrar	Computershare Hong Kong Investors Services Limited
Contact Address	Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Definitions

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

Company/China Coal Energy/ the Group/the Company	China Coal Energy Company Limited, unless otherwise indicated, also includes all of its subsidiaries
Board of the Company/Board	the board of directors of China Coal Energy Company Limited
Director(s)	the director(s) of the Company, including all the executive directors, non-executive directors and independent non-executive directors
Supervisor(s)	the supervisor(s) of the Company
China Coal Group	China National Coal Group Corporation, the controlling shareholder of the Company
Shanghai Energy Company	Shanghai Datun Energy Resources Company Limited
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
Mengda Company	Inner Mongolia China Coal Mengda New Energy & Chemical 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
Equipment Company	China National Coal Mining Equipment Company Limited

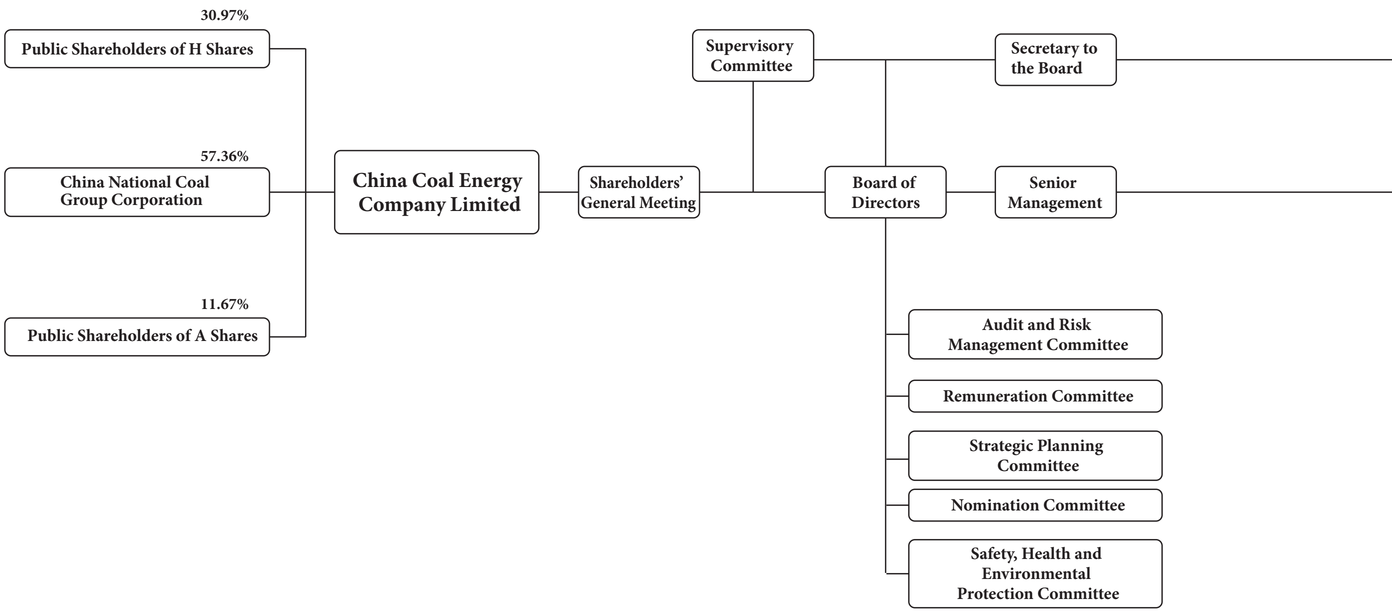
Definitions

Beijing Coal Mining Machinery Company	China Coal Beijing Coal Mining Machinery Company Limited
Bangben Property	Beijing Bangben Property Management Co., Ltd.
China Coal Zhangjiakou Coal Mining Machinery Company	China Coal Zhangjiakou Coal Mining Machinery Co., Ltd.
Jingshen Railway Company	Shaanxi Jingshen Railway Company Limited
Pingshuo Company/ Pingshuo Group	China Coal Pingshuo Group Company Limited
Datun Company	Datun Coal and Electricity (Group) Company Limited
Shanxi Coking Coal Group	Shanxi Coking Coal Group Co., Ltd.
China Coal Huajin Company	Shanxi China Coal Huajin Energy Company Limited
Huajin Coking Coal	Huajin Coking Coal Co., Ltd.
Resources Development Company	China Coal Resources Development Group Company Limited, formerly known as China Coal Import and Export Company
China Coal Assets Management Company	China Coal Assets Management Group Co., Ltd.
China Coal Electric	China Coal Electric Company Limited
Huayu Company	China Coal Group Shanxi Huayu Energy Company Limited (formerly known as China Coal Group Shanxi Jinhaiyang Energy Company Limited)
Heilongjiang Coal Chemical Group	China Coal Heilongjiang Coal Chemical Engineering (Group) Company Limited
Northwest Energy Company	China Coal Northwest Energy Company Limited
Finance Company	China Coal Finance Co., Ltd.

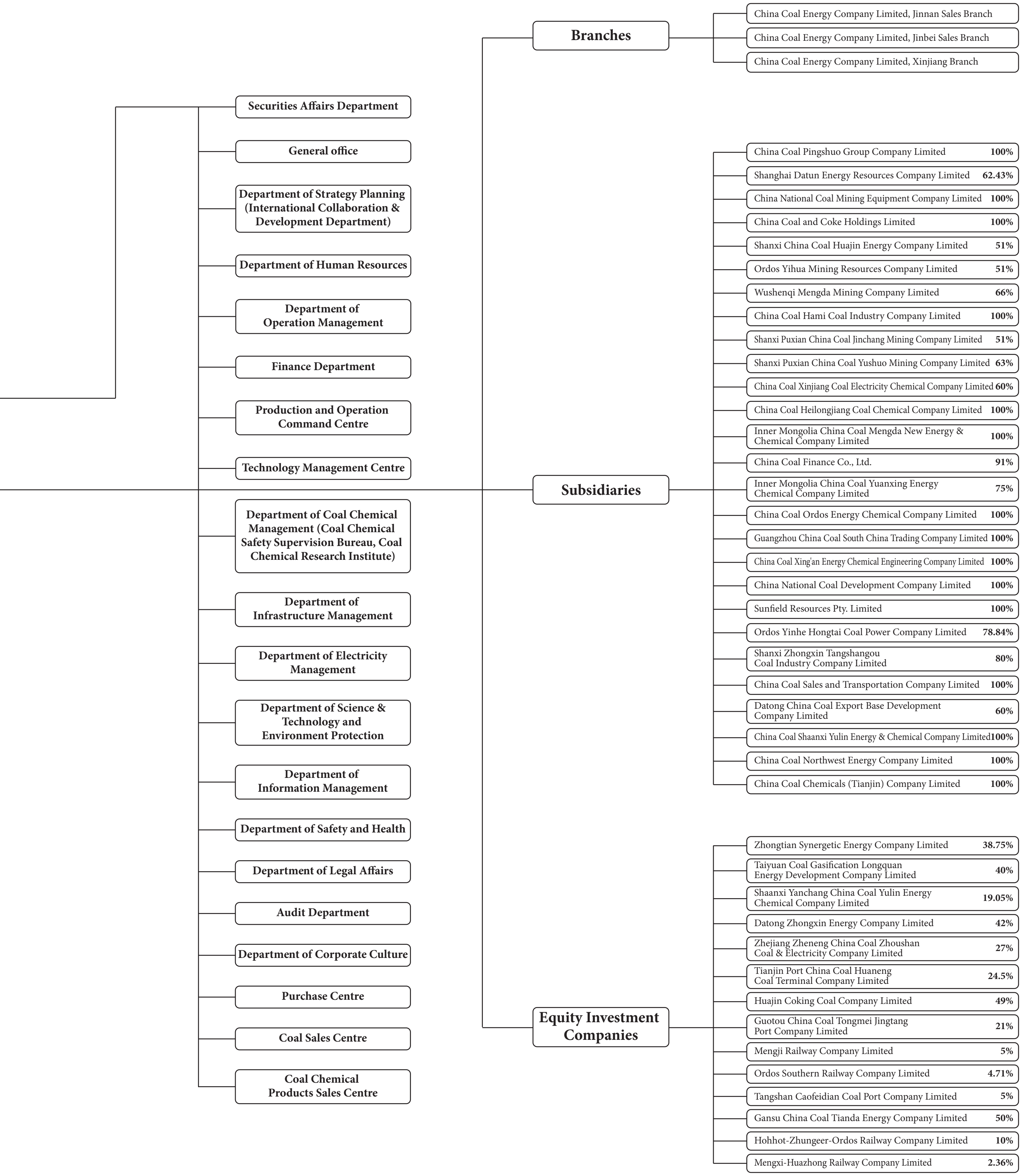
Definitions

Zhongtian Synergetic Company	Zhongtian Synergetic Energy Company Limited
Shaanxi Company	China Coal Shaanxi Yulin Energy & Chemical Company Limited
Ordos Energy Chemical Company	China Coal Ordos Energy Chemical Company Limited
CSRC	China Securities Regulatory Commission
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council
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
SSE Listing Rules	the Rules Governing the Listing of Stocks on Shanghai Stock Exchange
RMB	RMB yuan

Organisation Chart of the Company



Organisation Chart of the Company



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