中煤

CHINA COAL ENERGY COMPANY LIMITED*

中國中煤能源股份有限公司

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

(Stock code: 01898)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS:

- In 2017, the Group's revenue amounted to RMB81.123 billion, representing an increase of RMB20.459 billion or 33.7% as compared with 2016.
- In 2017, the profit attributable to the equity holders of the Company amounted to RMB3.490 billion, representing an increase of RMB1.774 billion as compared with 2016.
- In 2017, the basic earnings per share of the Company was RMB0.26, representing an increase of RMB0.13 as compared with 2016.
- In 2017, EBITDA amounted to RMB16.223 billion, representing an increase of RMB3.531 billion or 27.8% as compared with 2016.
- The Board recommended the payment of final dividends of RMB0.055 per share (inclusive of tax) for the year 2017, which is subject to the approval by the Shareholders at the annual general meeting to be held in 2018.

The Board of China Coal Energy Company Limited is pleased to announce the audited annual results of the Group for the year ended 31 December 2017 prepared by the Group in accordance with the International Financial Reporting Standards ("IFRS"):

A. SELECTED CONSOLIDATED FINANCIAL INFORMATION PREPARED IN ACCORDANCE WITH IFRS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**Year ended 31 December 2017** *RMB'000*	Year ended 31 December 2016 *RMB'000* (Restated)
Revenue	*4*	**81,123,232**	60,664,109
Cost of sales			
Materials used and goods traded		**(35,979,338)**	(25,403,283)
Staff costs		**(4,109,497)**	(4,053,659)
Depreciation and amortisation		**(6,060,223)**	(5,895,384)
Repairs and maintenance		**(1,650,956)**	(1,005,228)
Transportation costs and port expenses		**(9,389,544)**	(8,212,385)
Sales taxes and surcharges		**(2,265,396)**	(1,900,164)
Others		**(5,934,465)**	(4,171,908)
Cost of sales		**(65,389,419)**	(50,642,011)
Gross profit		**15,733,813**	10,022,098
Selling expenses		**(610,811)**	(624,533)
General and administrative expenses		**(4,085,978)**	(3,672,429)
Other income		**79,537**	13,300
Other gains and losses		**(1,661,093)**	398,899
Profit from operations		**9,455,468**	6,137,335
Finance income	*5*	**566,404**	614,468
Finance costs	*5*	**(3,818,113)**	(4,356,933)
Share of profits of associates and joint ventures		**1,122,493**	608,008
Profit before income tax		**7,326,252**	3,002,878
Income tax expense	*6*	**(1,653,744)**	(299,265)
Profit for the year		**5,672,508**	2,703,613
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss			
Fair value changes on available-for-sale financial assets, net of tax		**1,065**	(1,622)
Exchange differences arising on translation of foreign operations		**5,011**	25,676

	Notes	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000 (Restated)
Other comprehensive income for the year, net of tax		**6,076**	24,054
Total comprehensive income for the year		**5,678,584**	2,727,667
Profit for the year attributable to:			
Equity holders of the Company		**3,489,890**	1,716,167
Non-controlling interests		**2,182,618**	987,446
		5,672,508	2,703,613
Total comprehensive income attributable to:			
Equity holders of the Company		**3,495,966**	1,740,221
Non-controlling interests		**2,182,618**	987,446
		5,678,584	2,727,667
Basic and diluted earnings per share for the profit attributable to the equity holders of the Company (RMB)	*8*	**0.26**	0.13

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	As at 31 December 2017 RMB'000	2016 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment		**128,330,785**	128,246,599
Investment properties		**82,493**	53,270
Mining rights		**32,758,671**	33,673,946
Intangible assets		**1,697,221**	1,443,284
Land use rights		**4,874,917**	5,038,319
Goodwill		**6,084**	6,084
Investments in associates		**16,376,591**	12,008,565
Investments in joint ventures		**2,626,321**	2,020,163
Available-for-sale assets		**3,491,691**	5,467,784
Deferred income tax assets		**2,783,753**	2,982,306
Long-term receivables		**462,139**	285,342
Other non-current assets		**6,554,876**	6,897,482
		200,045,542	198,123,144
Current assets			
Inventories		**7,447,250**	7,390,899
Trade and notes receivables	*9*	**15,513,610**	14,457,865
Prepayments and other receivables		**7,182,505**	7,428,699
Restricted bank deposits		**2,455,643**	1,919,510
Term deposits with initial terms of over three months		**6,174,311**	3,455,113
Cash and cash equivalents		**10,097,653**	9,920,542
		48,870,972	44,572,628
TOTAL ASSETS		**248,916,514**	242,695,772
Current liabilities			
Trade and notes payables	*10*	**22,492,310**	21,160,146
Accruals, advances and other payables		**14,514,646**	12,736,157
Taxes payable		**2,253,190**	1,769,663
Short-term bonds		**3,000,000**	3,000,000
Short-term borrowings		**6,956,033**	6,573,031
Current portion of long-term borrowings		**13,696,106**	16,161,810
Current portion of provision for close down, restoration and environmental costs		**18,950**	25,758
		62,931,235	61,426,565

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	As at 31 December 2017 RMB'000	2016 RMB'000 (Restated)
Non-current liabilities			
Long-term borrowings		**43,083,827**	43,496,933
Long-term bonds		**26,866,347**	25,900,417
Deferred income tax liabilities		**5,988,603**	6,738,669
Deferred revenue		**1,694,405**	801,552
Provision for employee benefits		**78,718**	70,936
Provision for close down, restoration and environmental costs		**1,346,848**	1,352,350
Other long-term liabilities		**824,012**	767,242
		79,882,760	79,128,099
Total liabilities		**142,813,995**	140,554,664
EQUITY			
Share capital		**13,258,663**	13,258,663
Reserves	*11*	**44,573,464**	43,345,400
Retained earnings	*11*	**31,179,158**	29,470,217
Equity attributable to the equity holders of the Company		**89,011,285**	86,074,280
Non-controlling interests		**17,091,234**	16,066,828
Total equity		**106,102,519**	102,141,108
TOTAL EQUITY AND LIABILITIES		**248,916,514**	242,695,772

B. NOTES TO THE FINANCIAL INFORMATION

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, sale of coal and coal-chemical products, manufacturing and sale 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 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 2017, the Group's current liabilities exceeded its current assets by approximately RMB14,060 million. When the Group needs money to repay the short-term debts or make investment, the Group can finance the fund by following ways:

- Short-term bonds of RMB10,000 million registered with National Association of Financial Market Institutional Investors in July 2016, of which RMB3,000 million had been issued in August 2016 and July 2017 respectively, and the remaining RMB4,000 million can be issued when necessary;
- Corporate bond of RMB8,000 million to be issued, which had been approved by China Securities Regulatory Commission in December 2016, of which RMB1,000 million has been issued in July 2017, and the remaining RMB7,000 million can be issued when necessary;
- Long-term bonds of RMB10,000 million registered with National Association of Financial Market Institutional Investors in August 2017, the full amount can be issued when necessary;
- The Group's expected net cash inflows from operating activities for the next 12 months;
- Banking facilities available for draw-down of new loans when necessary; and
- Other sources of financing given the Group's credit rating and long-term relationship with reputable domestic banks and other financial institutions.

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS")

Amendments to IFRSs that are mandatorily effective for the current year.

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

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

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.

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities. Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided by the Group. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from those additional conditions, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised IFRSs in issue but not yet effective

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

IFRS

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

Except for IFRS 9, IFRS 15 and IFRS 16, the directors of the Company anticipate that the application of all other new and amendments to IFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

4. SEGMENT INFORMATION

4.1 General information

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

The CODM has been identified as the President Office (總裁辦公會).

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

(b) Reportable segments

The Group's reportable segments are coal, coal-chemical product, 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 'other' segment category.

4.2 Information about reportable segment profit/(loss), assets and liabilities

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

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

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

(b) Reportable segments' profit/(loss), assets and liabilities

	For the year ended and as at 31 December 2017								
	Coal *RMB'000*	Coal-chemical *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	5,536,887	–	2,646,870	85,311,400	–	(4,188,168)	81,123,232
Inter-segment revenue	(2,822,719)	(10,008)	(427,620)	–	(927,821)	(4,188,168)	–	4,188,168	–
Revenue from external customers	61,560,943	12,733,973	5,109,267	–	1,719,049	81,123,232	–	–	81,123,232
Profit/(loss) from operations	8,648,246	1,021,369	75,583	(43,839)	(89,275)	9,612,084	(225,594)	68,978	9,455,468
Profit/(loss) before income tax	7,901,506	588,213	(59,400)	493,381	(85,204)	8,838,496	(1,583,561)	71,317	7,326,252
Interest income	54,067	79,898	2,387	678,932	5,337	820,621	1,314,027	(1,568,244)	566,404
Interest expense	(1,264,382)	(1,029,339)	(94,655)	(141,412)	(290)	(2,530,078)	(2,804,475)	1,555,986	(3,778,567)
Depreciation and amortisation	(4,293,105)	(1,913,063)	(374,246)	(1,297)	(154,837)	(6,736,584)	(31,371)	–	(6,767,919)
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)	(9,633)	(123,366)	(46,798)	(2,152,385)	516,905	(18,264)	(1,653,744)
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	(1,029,518)	(18,315)	(92,523)	(29,442)	(2,857)	(1,172,655)	–	7,613	(1,165,042)
Segment assets and liabilities									
Total assets	134,629,143	62,458,182	17,691,353	8,549,747	14,295,143	237,623,568	20,416,441	(9,123,495)	248,916,514
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	10,760,142	335,103	95,713	(201,189)	1,015,918	12,005,687	8,361	–	12,014,048
Total liabilities	42,660,500	25,895,483	6,510,104	5,522,127	5,594,297	86,182,511	64,107,391	(7,475,907)	142,813,995

For the year ended and as at 31 December 2016 (restated)

	Coal *RMB'000*	Coal-chemical *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	46,740,067	10,549,358	4,029,024	–	2,490,487	63,808,936	–	(3,144,827)	60,664,109
Inter-segment revenue	(2,031,803)	(31,057)	(355,521)	–	(726,446)	(3,144,827)	–	3,144,827	–
Revenue from external customers	44,708,264	10,518,301	3,673,503	–	1,764,041	60,664,109	–	–	60,664,109
Profit/(loss) from operations	4,071,530	2,126,074	116,501	(31,460)	202,485	6,485,130	(398,589)	50,794	6,137,335
Profit/(loss) before income tax	2,920,885	1,352,251	25,147	380,017	187,536	4,865,836	(1,912,229)	49,271	3,002,878
Interest income	54,389	115,859	12,012	579,024	6,228	767,512	1,376,852	(1,529,896)	614,468
Interest expense	(1,341,424)	(986,432)	(106,940)	(167,548)	(22,734)	(2,625,078)	(3,233,043)	1,528,626	(4,329,495)
Depreciation and amortisation	(4,052,894)	(1,687,426)	(389,828)	(1,592)	(388,838)	(6,520,578)	(35,079)	–	(6,555,657)
Share of profit/(loss) of associates and joint ventures	158,100	95,852	3,177	–	(21)	257,108	350,900	–	608,008
Income tax (expense)/credit	(767,158)	(36,910)	16,317	(95,053)	25,046	(857,758)	591,852	(33,359)	(299,265)
Other material non-cash items									
Provision for impairment of property, plant and equipment	(86,042)	–	–	–	(124,807)	(210,849)	–	–	(210,849)
Provision for impairment of other assets	(68,601)	(147,543)	(115,963)	(12,870)	(39,634)	(384,611)	(85,555)	81,202	(388,964)
Segment assets and liabilities									
Total assets	130,983,038	50,026,481	17,644,136	6,008,183	7,039,922	211,701,760	32,842,905	(1,848,893)	242,695,772
Include: investment in associates and joint ventures	2,424,305	547,308	37,273	–	356	3,009,242	11,019,486	–	14,028,728
Addition to non-current assets	8,832,716	2,182,876	194,573	150	438,249	11,648,564	(33,926)	–	11,614,638
Total liabilities	44,842,823	24,409,957	5,835,650	3,583,547	2,873,601	81,545,578	60,856,386	(1,847,300)	140,554,664

4.3 Geographical information

Information about the Group's revenue from external customers is presented based on the 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	
	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Domestic markets	**80,706,214**	59,790,613
Overseas markets	**417,018**	873,496
	81,123,232	60,664,109

Analysis of non-current assets

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Domestic	**193,015,912**	188,713,604
Overseas	**438**	512
	193,016,350	188,714,116

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 2017 and 2016.

5. FINANCE INCOME AND COSTS

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Interest expenses:		
– Bank borrowings	**3,586,621**	3,651,421
– Long-term and short-term bonds	**1,429,232**	2,007,499
– Unwinding of discount	**74,095**	90,648
Other incidental bank charges	**25,200**	17,246
Net foreign exchange losses	**14,346**	10,192
Finance costs	**5,129,494**	5,777,006
Less: amounts capitalised on qualifying assets	**(1,311,381)**	(1,420,073)
Total finance expenses	**3,818,113**	4,356,933
Finance income:		
– Interest income on bank deposits	**415,337**	426,737
– Interest income on loans receivable	**151,067**	187,731
Total finance income	**566,404**	614,468
Finance costs, net	**3,251,709**	3,742,465

Note:

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

	2017	2016
Capitalisation rate used to determine the amount of finance costs eligible for capitalisation	**3.80%-5.16%**	4.28%-5.44%

6. INCOME TAX EXPENSE

	2017 *RMB'000*	2016 *RMB'000* (Restated)
Current income tax		
– PRC enterprise income tax (note (a))	**2,226,221**	986,890
Deferred income tax	**(572,477)**	(687,625)
	1,653,744	299,265

Notes:

(a) The provision for PRC enterprise income tax ("EIT") is calculated based on the statutory income tax rate of 25%. The applicable income tax rate in 2017 and 2016 is 25% on the assessable income of each of the companies now comprising the Group, determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries which are taxed at preferential tax rate of 15% based on the relevant PRC tax laws and regulations.

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

	2017 *RMB'000*	2016 *RMB'000* (Restated)
Profit before income tax	**7,326,252**	3,002,878
Tax calculated at statutory income tax rate of 25% (2016: 25%) in the PRC	**1,831,563**	750,720
Effect of preferential tax rates on the income of certain subsidiaries	**(156,479)**	(213,718)
Income not subject to taxation	**(274,319)**	(147,515)
Expenses not deductible for taxation purposes	**152,135**	158,557
Utilisation of previously unrecognised tax losses	**(20,220)**	(259,919)
Recognition of previously unrecognised tax losses	**(26,238)**	(103,500)
Tax losses for which no deferred income tax asset has been recognised	**67,005**	133,234
Deductible temporary differences for which no deferred income tax asset has been recognised	**241,698**	19,807
Recognition of previously unrecognised deductible temporary differences	**(51,639)**	–
Additional expenses allowable for tax deduction	**(109,762)**	(38,401)
Income tax expense	**1,653,744**	299,265

The effective tax rate was 23% for the year ended 31 December 2017 (2016: 10%).

7. DIVIDENDS

A dividend in respect of the year ended 31 December 2017 of RMB0.055 per share, amounting to a total dividend of RMB724,328 thousand, is to be proposed at the 2017 annual general meeting. These financial statements do not reflect this dividend payable.

	2017	2016
	RMB'000	*RMB'000*
Proposed final dividend of RMB0.055 (2016: RMB0.039) per ordinary share	**724,328**	514,532

8. 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.

	2017	2016
Profit attributable to equity holders of the Company (RMB'000)	**3,489,890**	1,716,167
Number of ordinary shares in issue (thousands)	**13,258,663**	13,258,663
Basic earnings per share (RMB per share)	**0.26**	0.13

As the Company had no potential ordinary shares in issue for the years ended 31 December 2017 and 2016, diluted earnings per share are presented equals to basic earnings per share.

9. TRADE AND NOTES RECEIVABLES

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Trade receivables, net *(note (a))*	**6,516,966**	7,658,899
Notes receivables *(note (b))*	**8,996,644**	6,798,966
	15,513,610	14,457,865

Notes:

(a) Aging analysis of trade receivables based on date of delivery of goods or date of rendering of services on each balance sheet date is as follows:

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Within 6 months	**4,316,693**	3,805,284
6 months – 1 year	**941,787**	1,845,796
1 – 2 years	**611,761**	1,396,583
2 – 3 years	**518,857**	626,967
Over 3 years	**624,576**	509,454
Trade receivables, gross	**7,013,674**	8,184,084
Less: Impairment of receivables	**(496,708)**	(525,185)
Trade receivables, net	**6,516,966**	7,658,899

As at 31 December 2017 and 2016, there are no significant trade receivables that are past due but are not impaired. The individually impaired receivables primarily relate to customers who are in financial difficulty.

(b) Notes receivables are principally bank acceptance bills with maturity of less than one year (2016: less than one year).

10. TRADE AND NOTES PAYABLES

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Trade payables *(note (a))*	**19,560,204**	18,113,862
Notes payable	**2,932,106**	3,046,284
	22,492,310	21,160,146

Note:

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

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Less than 1 year	**14,938,060**	11,957,285
1 – 2 years	**1,679,206**	4,428,746
2 – 3 years	**1,866,568**	792,699
Over 3 years	**1,076,370**	935,132
	19,560,204	18,113,862

11. RESERVES AND RETAINED EARNINGS

	Capita 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 2016, as original	31,056,891	3,992,822	123,919	48,550	36,507	1,313,446	(75,724)	6,278,921	27,673,574	70,448,906
Add: effect of business combination under common control *(note (e))*	3,641	–	–	–	–	–	(7,618)	–	27,292	23,315
Balance at 1 January 2016, (restated)	31,060,532	3,992,822	123,919	48,550	36,507	1,313,446	(83,342)	6,278,921	27,700,866	70,472,221
Profit for the year (restated)	–	–	–	–	–	–	–	–	1,716,167	1,716,167
Other comprehensive income (restated)	–	–	–	–	–	–	25,676	(1,622)	–	24,054
Appropriations	–	37,786	129,500	124,785	304,216	(641,298)	–	–	45,011	–
Share of other change of reserve of associates and joint ventures	–	–	–	–	–	–	–	(3,319)	3,319	–
Contributions	4,728	–	–	–	–	–	–	–	–	4,728
Acquisition of non-controlling interests	–	–	–	–	–	–	–	604,307	–	604,307
Loss of control over subsidiaries	–	–	–	–	(4,854)	–	–	–	4,854	–
Others	–	–	–	–	–	–	–	(5,860)	–	(5,860)
Balance at 31 December 2016 (restated)	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
Profit for the year	–	–	–	–	–	–	–	–	3,489,890	3,489,890
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 *(note (e))*	–	–	–	–	–	–	–	(39,328)	–	(39,328)
Loss of control over subsidiaries	(8,743)	–	–	(607)	–	–	–	–	9,350	–
Others	–	–	–	–	–	–	–	–	(2,782)	(2,782)
Balance at 31 December 2017	**31,056,517**	**4,097,890**	**253,419**	**1,378,575**	**861,620**	**99,324**	**(52,655)**	**6,878,774**	**31,179,158**	**75,752,622**

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 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 (2016: 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 Group 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 Group which are engaged in coal-chemical, machinery manufacturing, metallurgy and other relevant business are required to set aside an amount of certain percentage of revenue to a safety fund. The safety fund can be used for safety facilities and environment improvement, and is not available for distribution to shareholders. Upon incurring qualifying safety expenditure, an equivalent amount should be transferred from safety fund to retained earnings.

(d) Other funds relevant to coal mining

(i) Transformation and environmental restoration fund

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

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

(ii) Sustainable development fund

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

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

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

As the Group, China Japan Coal CO., LTD, Japan office and Seoul office were under common control of China Coal Group before and after the 2017 Acquisitions, the acquisitions are considered as a combination of businesses under common control. The principle of merger accounting for business combination involving entities under common control has therefore been applied, pursuant to which the consolidated financial statements of the Group have been prepared as if China Japan Coal CO., LTD, Japan office and Seoul office have been subsidiaries of the Company throughout the years ended 31 December 2016 and 2017.

Accordingly, the consolidated statement of financial position as at 31 December 2016 have been restated to include the assets and liabilities of China Japan Coal CO., LTD, Japan office and Seoul office at carrying amounts in the books of China Coal Group and 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 prior to this acquisition have been restated to include the results of operations and cash flows of China Japan Coal CO., LTD, Japan office and Seoul office on a combined basis.

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.

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

12. COMMITMENTS

(a) Capital commitments

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

	2017	2016
	RMB'000	*RMB'000*
Property, plant and equipment	**3,260,513**	3,721,960
Land use rights	**952,472**	1,610,165
	4,212,985	5,332,125

(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:

	2017	2016
	RMB'000	*RMB'000*
Land and buildings:		
– Within 1 year	**118,649**	114,650
– From 1 year to 5 years	**350,080**	224,339
– Over 5 years	**461,200**	560,847
	929,929	899,836

(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"), as at 31 December 2017, 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 condition is fulfilled.

According to the agreement entered into on 29 June 2011 between the Company and Haizi Jiaohua, by 31 December 2017, 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 condition is fulfilled.

According to the agreement entered into on 15 July 2006, Zhongtian Synergetic Energy Company Limited ("Zhongtian Synergetic") was established by the Company, China Petroleum & Chemical Corporation and other 3 companies. As a 38.75% shareholder, by 31 December 2017 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 7 companies. As a 5% shareholder, by 31 December 2017 the Company has invested RMB1,400 million in Mengji Railway and is committed to further invest RMB100 million by instalments in the future.

According to the agreement entered into on 23 December 2011, Huzhun'e Railway Company Limited ("Huzhun'e Railway") was established by the Company, Hohhot Railway Bureau and other 7 companies. As a 10% shareholder, by 31 December 2017 the Company has invested RMB266 million in Huzhun'e Railway and is committed to further invest RMB819 million by instalments in the future.

13. 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:

		31 December 2017	31 December 2016
	Year of maturity	**Face value**	Face value
		RMB'000	*RMB'000*
Bank loans of:			
– Related parties	2008-2025	**15,989,941**	15,555,158
– Third parties	2008-2027	**532,266**	834,783
		16,522,207	16,389,941

CHAIRMAN'S STATEMENT

Dear Shareholders:

Time and tide wait for no man, and heaven rewards those who work hard. Looking back to 2017, the global economy demonstrated an obvious trend of recovery. The domestic economy enjoyed steady progress. The coal industry underwent a turnaround. The coal price remained stable. Enterprise profitability gradually improved. With the aim of improving quality and benefit, the Company seized the opportunity and strove ahead in one mind. Several key projects were granted and approved, and the Company took a fresh outlook in respect to reform and development and promoted its works to a higher level. In 2017, the Company achieved the best result in recent years in terms of operating revenue and economic benefit, and the profit attributable to the equity holders of the Company enjoyed a year-on-year growth of 103.4%. In this regard, we express our heartfelt thanks to Shareholders and people from all walks of life for their concern on and support to the Company over 2017. On behalf of the Board, I hereby present the 2017 results to all Shareholders.

By enhancing production and sales synergy, operating revenue enjoyed substantial growth.

During 2017, the Company actively performed the social responsibilities, fully implemented new long-term agreement mechanism, adapted to the new changes in safety, environment protection, mining conditions, and so on, optimized production organization, enhanced the linkage of production, transportation and sales, reached a total production of commercial coal of 75.54 million tonnes, and realized safe production. The Company utilised the strengths in Megamarketing, expanded the resource channels, adjusted the sales strategy, achieved the coal sales volume of 129.27 million tonnes, and further improved the capacity of coal production and sales organization. The Company deepened the strategy of eliminating shortcomings and strengthening advantages in coal chemical production, established industry benchmark in intelligent plant construction, and promoted the coal chemical business operation to a new level. The Company maintained a stable and full load operation under the backdrop of scheduled shutdown overhaul, produced 976 thousand tonnes of polyolefin and 1.996 million tonnes of urea, and achieved full scale production and sales. The mining equipment enterprises seized the market opportunities, tapped the production potential, resulting in the substantial growth of mining equipment production value of 54.3%. During the reporting period, thanks to the stable production and sales and rising prices, the Company realized the operating revenue of RMB81.123 billion, representing a year-on-year growth of 33.7%.

By deepening lean management, record high profit was realized in recent years.

The Company adhered to target management, enhanced budget execution and made great efforts to tap the potentialities and promote the efficiency, resulting in obvious increase of profitability, with the operating margin enjoying a year-on-year growth of 1.5 percentage points. The Company further promoted cost reduction, energy conservation and consumption reduction by adopting advanced coal mining technologies, strengthened cost management and control, and maintained cost leading advantages. The Company scientifically arranged the coordination mining of coal seams, enhanced optimized mining, optimized cleaning and optimized loading, strengthened outsourced coal blending management, and continuously optimized the commercial coal structure, thus generating economic yield of nearly RMB500 million. The Company enhanced the coal chemical production management, tapped the equipment potential, and as a result, created a best record for the unit consumption of coal chemical, and maintained the leading position in the industry in terms of facility start-up level and main econo-technical indicators. The Company promoted the development of new coal chemical products, and successfully developed polyethylene chrome-related high-end products, filling the technical gap in the industry. The Company continued to deepen purchase, sales, investment and centralized capital management, and as a result, improved the management and control capacity, and increased the management efficiency. During the reporting period, the Company realized the profit before income tax RMB7.326 billion, with a year-on-year increase of RMB4.323 billion, representing the best result in recent years.

By making great efforts in improving quality and efficiency, the operating quality was significantly improved.

The Company earnestly implemented the supply-side structural reform deployment of our country, carried out in depth the works of "de-capacity, de-stocking, deleveraging, reducing cost and improving weak links", and optimized resource allocation, in order to ensure the lean and healthy development of the enterprises. The Company adhered to the keynote of "quality improvement amid stability with reform and innovation", and focused on improving the operating quality, product quality and service quality. The Company constantly improved the operation and consolidated the profit base, and as a result, the asset quality was further improved. The Company deepened fund-raising and financing management, scientifically controlled the pace of investment, and enhanced capital constraints. The Company optimized the capital structure, rationally controlled the debt size, actively and duly implemented deleveraging. As a result, the interest expenditure was significantly reduced by 11.5%, the debt capital ratio was reduced by 1.4 percentage points and the financial soundness was further improved. The Company seized the opportunity of coal market recovery, greatly strengthened the collection of trade receivables, minimized the utilization of working capital, and improved the efficiency of the asset turnover. As a result, the trade receivables declined by 14.9% year-on-year, and the cash generating capacity from operation was further improved. During the reporting period, the Company realized the net cash from operating activities of RMB17.807 billion, representing a year-on-year growth of 47.6%. The Company adhered to the green development concept, actively promoted energy conservation management and technical improvement, reduced unit consumption of products, and strived to improve the high-quality supply capacity. The Company actively carried out environment protection and control and ecological restoration, and achieved great results in energy conservation and emission reduction. Pingshuo Company was awarded as "The Most Influential Green Brand Enterprise in China in 2017" and granted the first "Ecological Mine – Land Reclamation and Ecological Restoration Pioneer" title by China Coal Society.

By promoting transformation and upgrade, breakthroughs were made in implementing key projects.

The Company followed the guidance of the strategic plan, accelerated the upgrade of new form of circular economy of coal-electricity-chemical, actively promoted the upstream and downstream of the industrial chain to maximize the value creation. The Company focused on the synergetic value creation of the coal-based industries (such as coal, coal chemical and power industries), and promoted the sustainable development of the enterprises by optimizing the existing and additional capacities, and improving quality. The Company accelerated the elimination of outdated production capacities, the close-down and exit of the low-efficient production facilities by making active utilization of the de-capacity policy of the coal industry, and effectively released advanced production capacity by leveraging the production capacity replacement policy. The overall planning for mining areas such as Nalin River and Yuheng North mining areas were granted and approved. Two key high-quality and high-efficiency coal projects, Muduchaideng Coal Mine and Nalin River No.2 Coal Mine, were granted. The initial working faces of the 10-million-tonne class coal mines, Menkeqing and Hulusu, were put into trial operation. Xiaohuigou Coal Mine Project entered the third phase of construction. The Company continued to promote the large-scale development of the coal chemical business. Mengda Engineering Plastics Project was put into production and realized high-load stable operation. The Company further exerted the synergy advantages and initiated the Tuke technical modification project with the annual production of 1 million tonnes of coal-based methanol, which was given an official approval for its project environment assessment. The coal deep-processing demonstration project of Zhongtian Synergetic Company was put into official commercial operation, which is expected to increase the investment income of the Company. The Company enhanced the professional management of electricity business and innovated the coal and electricity production joint venture mode, laying a solid foundation for the growth and optimization of the main business. The 2×660MW Low Calorific Value Coal Power Generation Project in Pingshuo Company, the Project of the Second Power Plant 2×660MW located in the north of Wucai Bay, Zhundong, Xinjiang and the 2×350MW "building large-scale ones and decommissioning small-scale ones" thermal power project of Shanghai Energy Company progressed steadily, which are expected to be completed and put into operation in 2018.

By strengthening reform and innovation, development momentum was increased continuously.

During 2017, the Company continuously deepened the internal reform according to the state-owned enterprise reform policy, optimized the business adjustment, rationalized the management system, promoted regional integration management and improved the regional synergy efficiency. Focusing on the target of developing and optimizing main businesses, the Company integrated the business of Pingshuo Mining Area, and completed the spin-off and disposal of the auxiliary business of Pingshuo Company. The Company integrated enterprise resources, adjusted the scope of business management and built a professional platform for comprehensive energy development services, in order to focus on the main businesses and gain momentum for rapid development. The Company adhered to the principle of "leanness, efficiency and consistency of power and responsibility", continued to promote three institutional reforms on labour, human resources and income distribution, promoted mechanical innovation, properly arranged and distributed the redundant staff, and optimized the allocation of human resources, in order to improve the enterprise vitality. The Company improved the classification evaluation, implemented incentive mechanism, and continuously optimized the evaluation system. The Company adhered to scientific guidance, enhanced innovation-oriented development and improved scientific and technological R&D capacity. The Company completed more than 100 key scientific and technological projects. The Company promoted craftsmanship spirit, carried out technical innovation in a deep-going way, accelerated the transformation of "mass entrepreneurship and innovation" achievement, and enhanced the achievement promotion and application demonstration. As a result, the innovation achievements constantly emerged. The Company successfully developed several world-leading high-end mining equipment, and led the advancement of the industry technology. Shaanxi Company won the first prize of the 10th National Petroleum and Chemical Enterprise Management Innovation Award. Several coal chemical enterprises, including Ordos Energy Chemical Company, were recognized as high-tech enterprises. The Company was granted 20 science and technology progress awards in 2017. New progress was made in the independent innovation capacity and the core technical competence was further improved.

As the new year begins, everything takes on a fresh look. In 2018, the world economy demonstrates an obvious signal of recovery, and the domestic economy still maintains relatively rapid growth. In terms of the existing coal market, with the deepening progress of the supply-side structural reform, the coal supply may be insufficient in certain periods and certain regions, and it is estimated that the coal price will be maintained at reasonable range on an on-going basis. In the long run, China's economy will enter the high-quality development stage in the new era, and the economic development fundamentals will continue to improve. With the constant optimization of the energy structure of our country, the coal consumption demand growth will be slowing down. However, as one of the fundamental energy resources of our country, the dominant position of coal will not be changed. Meanwhile, with the progress of coal industry transformation and upgrade, the benefits of industry structural adjustment will gradually appear. The coal de-capacity will be transformed from aggregate de-capacity to structural de-capacity. The advanced production capacity will be gradually released, and the outdated capacity will be eliminated and exited. The construction of transportation channel will be accelerated, and the relationship between coal supply and demand is developing from general balance to higher level dynamic guarantee. Recently, the government enacted the Opinion on Furthering the Merger, Reorganization, Transformation and Upgrade of Coal Enterprises, supporting professional state-owned coal enterprises to reorganize the coal mines of other state-owned enterprises, so that the professional coal enterprises can become stronger, better, and bigger. Viewed from the coal-related industries, the coal chemical industry will enjoy good prospects. The polyolefin and urea prices are expected to remain at relatively high levels, and the modern coal chemical industry has entered the industrialization development stage. New journey starts in new era, new mission calls for new actions. As a professional coal management enterprise, the Company will seize the new opportunities in the new era, optimize its industrial structure, accelerate the transformation and upgrade, foster new driving forces for enterprise, lead the new industry development, and evolve into a world first class clean energy supplier with global competitiveness.

In 2018, the Company will firmly focus on the annual target of production and operation, adhere to the guideline of seeking progress while maintaining stability, and implement in depth the new development concept, in order to obtain new progress while promoting high-quality development. Firstly, the Company will fully improve the operation quality. The Company will scientifically organize production and sales, strive to increase output, revenue and efficiency, steadily improve operation result and ensure the realization of the annual operation target. The Company will stick to the bottom line of safety, and improve the safety assurance ability. Secondly, the Company will fully improve the development quality while sparing no efforts to realize the operation of three power plants. The Company will strengthen the strategic planning guidance, utilize the advantages of industry synergy and professional management, focus on key project construction, accelerate the incubation of new businesses, and develop new modes, in order to promote the transformation and upgrade of the Company. Thirdly, the Company will fully improve the management quality. Focusing on strengthening of supply-side structural reform, the Company will stick to the principle of "quality and efficiency first", further implement the mechanism and institution reform, strengthen reform and innovation and strive to enhance the development momentum. The Company will fully improve the risk prevention and control quality, in order to realize the standardized and efficient operation of the Company. Fourthly, the Company will comprehensively improve the talent quality. The Company will strengthen the talent team construction, provide smooth career development channels, and continuously optimize the allocation of human resources. The Company will deepen three institutional reforms on labour, human resources and income distribution, optimize the salary distribution structure, in order to stimulate the business and entrepreneurship enthusiasm of the employees.

It is time for us to brave the wind and waves, stay on top of the tide and set sail at a more opportune moment. Looking into the future, the management and all the employees of the Company will remain true to their original aspiration, keep the mission firmly in mind, forge ahead with determination, innovate in a pioneering spirit, set sail into a new voyage, witness the new bright prospect, and strive to promote the high quality development of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND OPERATING RESULTS

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

I. Overview

In 2017, the national supply-side structural reform continued to be moved forward, Chinese economy made steady progress with good momentum, and the market price of coal remained steady. Adhering to the general working keynote of Seeking Progress in Stability and the firmly established concept of New Development, and centered on promoting quality benefit and core competitiveness, the Group firmly promoted all the tasks of reform and development which resulted in a steady increase in the economic benefits and comprehensive improvement in our operating quality. For the year ended 31 December 2017, the total revenue of the Group, after offsetting the inter-segment sales, amounted to RMB81.123 billion, representing an increase of RMB20.459 billion or 33.7% as compared to 2016.. The profit before income tax amounted to RMB7.326 billion, representing an increase of RMB4.323 billion or 144.0% as compared to 2016. The profit attributable to the equity holders of the Company amounted to RMB3.490 billion, representing an increase of RMB1.774 billion or 103.4% as compared to 2016. Net cash generated from operating activities amounted to RMB17.807 billion, representing a year-on-year increase of RMB5.738 billion, or 47.6% as compared to 2016. The basic earnings per share is RMB0.26, representing an increase of RMB0.13 as compared to 2016. The net cash per share generated by operational activity is RMB1.34, representing an increase of RMB0.43 as compared to 2016.

Unit: RMB100 million

	For the year ended 31 December, 2017	For the year ended 31 December, 2016 (restated)	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease (%)
Revenue	**811.23**	606.64	204.59	33.7
Profit before income tax	**73.26**	30.03	43.23	144.0
EBITDA	**162.23**	126.92	35.31	27.8
Profit attributable to the equity holders of the Company	**34.90**	17.16	17.74	103.4
Net cash generated from operating activities	**178.07**	120.69	57.38	47.6

The Group continued to optimize the capital structure, and reasonably controlled the liability scale. As at 31 December 2017, the gearing ratio (total interest-bearing debts/(total interest-bearing debts + equity)) of the Group was 46.9 %, representing a decrease of 1.4 percentage points from 48.3% as compared to 31 December, 2016, indicating further strengthening of the financial soundness.

Unit: RMB100 million

	As at 31 December 2017	As at 31 December 2016 (restated)	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease (%)
Assets	**2,489.17**	2,426.96	62.21	2.6
Liabilities	**1,428.14**	1,405.55	22.59	1.6
Interest-bearing debts	**936.02**	951.32	-15.30	-1.6
Equity	**1,061.03**	1,021.41	39.62	3.9
Equity attributable to the equity holders of the Company	**890.11**	860.74	29.37	3.4

II. Operating Results

(1) Combined Operating Results

1. Revenue

For the year ended 31 December 2017, the Group's total revenue (net of inter-segmental sales) increased from RMB60.664 billion for the year ended 31 December 2016 to RMB81.123 billion, representing an increase of 33.7%, of which the revenue from external sales of coal operations recorded a year-on-year increase of RMB16.853 billion mainly attributable to the year-on-year soaring selling price of coal; external sales revenue of coal chemical operations recorded a year-on-year increase of RMB2.216 billion mainly attributable to the combined effects of factors such as the commencement of production by Mengda Engineering Plastics Project resulting in sale volume increase of polyolefin, the sale volume increase of urea, as well as the year-on-year sale price increase for the major chemical products; the external sales revenue of coal mining equipment operations recorded a year-on-year increase of RMB1.435 billion mainly attributable to the factors such as the market recovery and the corresponding increase in sales volume of products.

Changes in revenue net of inter-segmental sales from the Group's four operating segments of coal, coal chemical, coal mining equipment, finance operations and other operations for the year ended 31 December 2017 in comparison with the year ended 31 December 2016 are set out as follows:

Unit: RMB100 million

	Revenue net of inter-segmental sales		**Increase/decrease**	
	For the year ended 31 December 2017	For the year ended 31 December 2016 (restated)	Increase/ decrease in amount	Increase/ decrease (%)
Coal operations	**615.61**	447.08	168.53	37.7
Coal chemical operations	**127.34**	105.18	22.16	21.1
Coal mining equipment operations	**51.09**	36.74	14.35	39.1
Finance operations and other operations	**17.19**	17.64	-0.45	-2.6
Total	**811.23**	606.64	204.59	33.7

The proportion of revenue net of inter-segmental sales generated by each operating segment of the Group for the year ended 31 December 2017 and the year ended 31 December 2016 in the Group's total revenue are set out as follows:

	Proportion of revenue net of inter-segmental sales (%)		
	For the year ended 31 December 2017	For the year ended 31 December 2016 (restated)	Increase/ decrease in (percentage point(s))
Coal operations	**75.9**	73.7	2.2
Coal chemical operations	**15.7**	17.3	-1.6
Coal mining equipment operations	**6.3**	6.1	0.2
Finance operations and other operations	**2.1**	2.9	-0.8

2. *Cost of sales*

For the year ended 31 December 2017, the Group's cost of sales increased from RMB50.642 billion for the year ended 31 December 2016 to RMB65.389 billion, representing an increase of 29.1%.

Materials used and goods traded costs increased by 41.6% from RMB25.403 billion for the year ended 31 December 2016 to RMB35.979 billion, representing 55.0% of cost of sales. The materials consumption for coal operations and trade cost of goods increased year-on-year by RMB8.631 billion, which was attributable to a year-on-year increase of RMB7.706 billion in the costs of proprietary coal trading as a result of the increase in coal procurement price and a year-on-year increase of RMB925 million in the materials costs of self-produced commercial coal due to combined effects of factors such as the increased investment by coal production enterprises in production safety and the price rise in raw materials. The materials consumption and trading cost of goods for coal chemical operations recorded a year-on-year increase of RMB1.423 billion, which was mainly attributable to the combined effects such as the commencement of production by Mengda Engineering Plastics Project, sale volume of urea increase and price increase for feed coal. The materials costs of coal mining equipment operations recorded a year-on-year increase of RMB1.425 billion due to the combined effects such as increase in sales volume of products as well as the price rise of raw materials amid a market recovery.

Staff costs increased by 1.4% from RMB4.054 billion for the year ended 31 December 2016 to RMB4.109 billion, representing 6.3% of cost of sales, which was mainly due to the combined effects such as the increase of employee's salary according to the Company's raise in economic benefit, diminution on gross manpower by implementing policies of "cutting overcapacity" and "leaner and healthier development".

Depreciation and amortisation costs increased by 2.8% from RMB5.895 billion for the year ended 31 December 2016 to RMB6.060 billion, representing 9.3% of the cost of sales, which was mainly due to combined effects such as the commencement of production by Mengda Engineering Plastics Project and other construction project and purchase of fixed assets as a result of the increase in the depreciation and amortisation costs.

Repairs and maintenance costs increased by 64.3% from RMB1.005 billion for the year ended 31 December 2016 to RMB1.651 billion, representing 2.5% of the cost of sales, which was mainly attributable to the strengthening of equipment repair and maintenance by the coal production enterprises of the Group, and the equipment overhaul of coal chemical companies, which led to the year-on-year increase in the repairs and maintenance costs.

Transportation costs and port expenses increased by 14.3% from RMB8.212 billion for the year ended 31 December 2016 to RMB9.390 billion, representing 14.4 %of the cost of sales, which was mainly attributable to the year-on-year sale volume increase in the tr proprietary coal trading, in which the transportation costs was borne by the Group.

Sales taxes and surcharges increased by 19.2% from RMB1.900 billion for the year ended 31 December 2016 to RMB2.265 billion, representing 3.5% of the cost of sales, which was mainly attributable to a year-on-year increase in resources tax, urban maintenance and construction tax and education surcharge as a result of the year-on-year increase in the sales revenue of coal amid a market recovery.

Outsourcing mining engineering cost for coal mines increased by 40.2% from RMB982 million for the year ended 31 December 2016 to RMB1.377 billion, representing 2.1% of the cost of sales, which was mainly attributable to the increase in the outsourcing mining engineering volume of the coal production enterprises of the Group.

Other costs increased by 42.8% from RMB3.191 billion for the year ended 31 December 2016 to RMB4.558 billion, representing 6.9% of the cost of sales, which was mainly attributable to the increase of investment in work safety and environment protection and the year-on-year increase in the small and medium mining project expenditure and auxiliary production expenses of the safety production and investment in environmental protection of the Group.

3. Gross profit and gross profit margin

For the year ended 31 December 2017, gross profit of the Group increased from RMB10.022 billion for the year ended 31 December 2016 to RMB15.734 billion, representing an increase of 57.0%; and gross profit margin increased from 16.5% for the year ended 31 December 2016 to 19.4%, representing an increase of 2.9 percentage points.

The gross profit and gross profit margin of each of the Group's operating segments for the year ended 31 December 2017 and the changes as compared to the same period of 2016 are as follows:

Unit: RMB100 million

	Gross profit			**Gross profit margin (%)**		
	For the year ended 31 December 2017	For the year ended 31 December 2016 (restated)	**Increase/ decrease (%)**	**For the year ended 31 December 2017**	For the year ended 31 December 2016 (restated)	**Increase/ decrease** (percentage point(s))
Coal operations	**126.02**	67.25	87.4	**19.6**	14.4	5.2
Self-produced commercial coal	**122.74**	65.52	87.3	**33.2**	23.0	10.2
Proprietary coal trading	**2.58**	2.45	5.3	**1.0**	1.4	-0.4
Coal chemical operations	**23.83**	23.35	2.1	**18.7**	22.1	-3.4
Coal mining equipment operations	**6.93**	6.74	2.8	**12.5**	16.7	-4.2
Finance operations and other operations	**0.67**	2.52	-73.4	**2.5**	10.1	-7.6
Group	**157.34**	100.22	57.0	**19.4**	16.5	2.9

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

For the year ended 31 December 2017, the total revenue from coal operations of the Group increased from RMB46.740 billion for the year ended 31 December 2016 to RMB64.384 billion, representing an increase of 37.7%; revenue net of inter-segmental sales increased from RMB44.708 billion for the year ended 31 December 2016 to RMB61.561 billion, representing an increase of 37.7%.

For the year ended 31 December 2017, revenue from sales of self-produced commercial coal of the Group increased from RMB28.491 billion for the year ended 31 December 2016 to RMB36.977 billion, representing an increase of 29.8%. Revenue net of inter-segmental sales increased from RMB28.259 billion for the year ended 31 December 2016 to RMB36.735 billion, representing an increase of 30.0%; of which, revenue from thermal coal was RMB28.949 billion, representing a year-on-year increase of RMB5.568 billion; revenue from coking coal was RMB7.786 billion, representing a year-on-year increase of RMB2.908 billion. For the year ended 31 December 2017, the Group's sales of self-produced commercial coal decreased by 7.38 million tonnes year-on-year to 73.29 million tonnes, leading to a decrease of RMB2.586 billion in sales revenue; and the weighted average sales price of self-produced commercial coal increased by RMB151/tonne year-on-year to RMB501/tonne, leading to an increase of RMB11.062 billion in respect of sales revenue.

Revenues from sales of proprietary coal trading increased by 50.3% from RMB17.847 billion for the year ended 31 December 2016 to RMB26.821 billion. Revenue net of other inter-segment sales increased from RMB16.076 billion for the year ended 31 December 2016 to RMB24.363 billion, representing an increase of 51.5%.

Revenue from agency services experienced a year-on-year increase of RMB21 million, reaching RMB37 million.

Changes in the Group's coal sales volume and selling price for the year ended 31 December 2017 in comparison with the year ended 31 December 2016 are set out as follows:

			For the year ended 31 December 2017		For the year ended 31 December 2016 (restated)		**Increase/decrease** Increase/decrease in amount		Increase/ decrease	
			Sales volume ***(10,000 tonnes)***	**Selling price** ***(RMB/ tonne)***	Sales volume *(10,000 tonnes)*	Selling price *(RMB/ tonne)*	Sales volume *(10,000 tonnes)*	Selling price *(RMB/ tonne)*	Sales volume *(%)*	Selling price *(%)*
I.	Self-produced commercial coal	Total	**7,329**	**501**	8,067	350	-738	151	-9.1	43.1
		(I) Thermal coal	**6,469**	**448**	7,095	330	-626	118	-8.8	35.8
		1. Domestic sale	**6,460**	**447**	7,054	329	-594	118	-8.4	35.9
		2. Export	**9**	**577**	41	419	-32	158	-78.0	37.7
		(II) Coking coal	**860**	**905**	972	502	-112	403	-11.5	80.3
		Domestic sale	**860**	**905**	972	502	-112	403	-11.5	80.3
II.	Proprietary coal trading	Total	**4,752**	**513**	4,825	333	-73	180	-1.5	54.1
		(I) Domestic resale	**4,605**	**514**	4,579	333	26	181	0.6	54.4
		(II) Self-operated exports*	**19**	**1,242**	16	665	3	557	18.8	86.8
		(III) Import trading	**124**	**364**	230	317	-106	47	-46.1	14.8
		(IV) Entrepot trading	**4**	**626**	–	–	4	626	–	–
III.	Import and export and domestic agency★	Total	**846**	**4**	343	5	503	-1	146.6	-20.0
		(I) Import agency	**115**	**3**	13	6	102	-3	784.6	-50.0
		(II) Export agency	**251**	**7**	258	4	-7	3	-2.7	75.0
		(III) Domestic agency	**480**	**3**	72	5	408	-2	566.7	-40.0

*: Briquette export.

★: Selling price is agency service fee.

• Cost of Sales

For the year ended 31 December 2017, cost of sales for the Group's coal operations increased from RMB40.015 billion for the year ended 31 December 2016 to RMB51.782 billion, representing an increase of 29.4%. Changes in major cost items are set out as follows:

Unit: RMB100 million

Item	**For the year ended 31 December 2017**	For the year ended 31 December 2016 (restated)	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease (%)
Material costs	**47.22**	37.97	9.25	24.4
Proprietary coal trading cost★	**250.87**	173.81	77.06	44.3
Staff costs	**26.89**	26.20	0.69	2.6
Depreciation and amortisation	**37.89**	36.99	0.90	2.4
Repairs and maintenance	**10.19**	7.41	2.78	37.5
Transportation costs and port expenses	**83.26**	72.91	10.35	14.2
Outsourcing mining engineering fee	**13.77**	9.82	3.95	40.2
Sales taxes and surcharges	**19.85**	15.99	3.86	24.1
Other costs*	**27.88**	19.05	8.83	46.4
Total cost of sales for coal operations	**517.82**	400.15	117.67	29.4

★: This cost does not include transportation costs.

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

For the year ended 31 December 2017, the Group's sales volume of self-produced commercial coal before offsetting other inter-segment sale was 75.00 million tonnes, and the cost of sales was RMB24.703 billion, representing a year-on-year increase of RMB2.764 billion or 12.6%; the unit cost of sales of self-produced commercial coal was RMB329.38/tonne, representing a year-on-year increase of RMB57.42/tonne or 21.1%; the sale volume of proprietary coal trading before offsetting the inter-segment sale was 54.14 million tonnes, the cost of sales of proprietary coal trading before offsetting other inter-segment sale was RMB26.563 billion, representing a year-on-year increase of RMB8.961 billion or 50.9%; and the unit cost of sales of proprietary coal trading was RMB490.65/tonne, representing a year-on-year increase of RMB178.05/tonne or 56.2%.

Changes of major items of the Group's unit cost of sales of self-produced commercial coal are as follows:

Unit: RMB/tonne

Item	**For the year ended 31 December 2017**	For the year ended 31 December 2016	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease (%)
Material costs	**62.96**	47.07	15.89	33.8
Staff costs	**35.86**	32.48	3.38	10.4
Depreciation and amortisation	**50.51**	45.85	4.66	10.2
Repair and maintenance	**13.58**	9.19	4.39	47.8
Transportation costs and port expenses	**91.33**	87.63	3.70	4.2
Sales taxes and surcharges	**26.47**	19.82	6.65	33.6
Outsourcing mining engineering fee	**18.36**	12.17	6.19	50.9
Other costs	**30.31**	17.75	12.56	70.8
Unit cost of sales of self-produced commercial coal	**329.38**	271.96	57.42	21.1

For the year ended 31 December 2017, the Group increased the efforts on production succession so as to constantly provide high-quality coal products, and invested relevant costs in accordance with the requirements from the environmental protection and safety policies of the country. Meanwhile, affected by the factors, such as rise of raw material price and labour cost, the unit cost of sales of self-produced commercial coal of the Company recorded a year-on-year increase of RMB57.42/tonne, with the details as follows:

Unit materials costs increased by RMB15.89/tonne year-on-year, which was mainly attributable to the combined effects of a year-on-year increase in materials invested by coal production enterprises of the Group in production safety, price rise in raw materials and other factors.

Unit staff costs increased by RMB3.38/tonne year-on-year, which was mainly attributable to the combined effects, such as the increase of employee's salary according to the Company's raise in economic benefit, diminution on gross manpower by implementing policies of "cutting overcapacity" and "leaner and healthier development".

Unit depreciation and amortisation costs increased by RMB4.66/tonne year-on-year, which was mainly attributable to a year-on-year decrease in the Group's self-produced commercial coal production volume during the reporting period, which led to a year-on-year increase in unit depreciation and amortisation costs.

Unit repairs and maintenance costs increased by RMB4.39/tonne year-on-year, which was mainly attributable to the increasing expense of repair and maintenance of equipment by the Group's coal producing enterprises in order to ensure safety production, improve the efficiency of equipment and strengthen the repair and maintenance of equipment.

Unit transportation costs and port expenses increased by RMB3.70/tonne year-on-year, which was mainly attributable to the year-on-year increase in the proportion of the Group's sales volume of seaborne coal, and the rise in the rates of railway freight and port charges.

Unit sales taxes and surcharges increased by RMB6.65/tonne year-on-year, which was mainly attributable to a year-on-year increase in resource tax, urban maintenance and construction tax and education surcharge as a result of the year-on-year increase in selling price of self-produced commercial coal of the Group.

Unit outsourcing mining engineering fees increased by RMB6.19/tonne year-on-year, which was mainly attributable to the increase in the outsourcing mining engineering volume of the coal producing enterprises of the Group.

Unit other costs increased by RMB12.56/tonne year-on-year, which was mainly attributable to the year-on-year increase in the small and medium mining project expenditure and auxiliary production expenses of the coal producing enterprises of the Group.

- Gross profit and gross profit margin

  For the year ended 31 December 2017, the Group's gross profit from coal operations increased by RMB5.877 billion from RMB6.725 billion for the year ended 31 December 2016 to RMB12.602 billion; and gross profit margin increased by 5.2 percentage points from 14.4 % for the year ended 31 December 2016 to 19.6%.

2. *Coal chemical operations*

- Revenue

For the year ended 31 December 2017, the Group's revenue from coal chemical operations increased from RMB10.549 billion for the year ended 31 December 2016 to RMB12.744 billion, representing an increase of 20.8%, and revenue net of other inter-segmental sales increased by 21.1% from RMB10.518 billion for the year ended 31 December 2016 to RMB12.734 billion.

For the year ended 31 December 2017, among the Group's major coal chemical products, the external sales revenue of polyethylene increased by RMB1.299 billion or 47.4% from RMB2.738 billion for 2016 to RMB4.037 billion; the external sales revenue of polypropylene increased by RMB1.235 billion or 55.3% from RMB2.232 billion for 2016 to RMB3.467 billion, which was mainly due to the effects from the rise of sales volume of polyolefin and the year-on-year increase in selling price of polyolefin as a results of the commencement of production by Mengda Engineering Plastics Project; the external sales revenue of urea increased by RMB1.065 billion or 47.5% from RMB2.241 billion for 2016 to RMB3.306 billion, which was mainly due to the combined effects of the year-on-year increase in the selling price and sales volume of urea; the external sales revenue of methanol decreased by RMB311 million or 52.0% from RMB598 million for 2016 to RMB287 million, which was mainly due to the increase in internal consumption volumes.

For the year ended 31 December 2017 and 2016, changes in the sales volume and selling price of major chemical products of the Group are set out as follows:

	For the year ended 31 December 2017		For the year ended 31 December 2016		**Increase/decrease** Increase/decrease in amount		**Increase/decrease** Increase/decrease	
	Sales volume *(10,000 tonnes)*	**Selling price *(RMB/ tonne)***	Sales volume *(10,000 tonnes)*	Selling price *(RMB/ tonne)*	Sales volume *(10,000 tonnes)*	Selling price *(RMB/ tonne)*	Sales Volume *(%)*	Selling price *(%)*
I. Polyolefin	**97.7**	**7,677**	71.1	6,989	26.6	688	37.4	9.8
Polyethylene	**50.0**	**8,071**	35.8	7,641	14.2	430	39.7	5.6
Polypropylene	**47.7**	**7,264**	35.3	6,327	12.4	937	35.1	14.8
II. Urea★	**229.0**	**1,444**	198.0	1,132	31.0	312	15.7	27.6
III. Methanol◆	**13.3**	**2,148**	40.0	1,496	-26.7	652	-66.8	43.6

★: Small granule urea sale of Lingshi China Coal Chemical Co., Ltd. under the China Coal Group was 67,800 tonnes.

◆: 1. Including sales of methanol produced by Heilongjiang Coal Chemical Group, a subsidiary of China Coal Group with 24,200 tonnes in 2017 and 46,400 tonnes in 2016.

2. Setting off the internal consumption volumes of the Group amounting to 586,000 tonnes and a corresponding revenue elimination of RMB1.089 billion in 2017; 306,300 tonnes and a corresponding revenue elimination of RMB517 million in 2016.

- Cost of sales

For the year ended 31 December 2017, the Group's cost of sales of coal chemical operations increased from RMB8.214 billion for the year ended 31 December 2016 to RMB10.361 billion, representing an increase of 26.1%. The details of changes in the major cost items are set out as follows:

Unit: RMB100 million

Item	**For the year ended 31 December 2017**	For the year ended 31 December 2016	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease (%)
Material costs	**54.48**	40.25	14.23	35.4
Staff costs	**6.31**	5.38	0.93	17.3
Depreciation and amortization	**17.96**	16.46	1.50	9.1
Repairs and maintenance	**5.07**	2.21	2.86	129.4
Transportation costs and port expenses	**9.72**	8.33	1.39	16.7
Sales taxes and surcharges	**1.77**	2.25	-0.48	-21.3
Other costs	**8.30**	7.26	1.04	14.3
Total cost of sales for coal chemical operations	**103.61**	82.14	21.47	26.1

The cost of sales of the major chemical products of the Group for the year ended 31 December 2017 and the changes as compared to the same period of 2016 are set out as follows:

	Cost of sales (RMB100 million)			**Unit cost of sales (RMB/tonne)**		
	For the year ended 31 December 2017	For the year ended 31 December 2016	**Increase/ decrease in amount**	**For the year ended 31 December 2017**	For the year ended 31 December 2016	**Increase/ decrease in amount**
Polyolefin	**61.59**	34.22	27.37	**6,301**	4,812	1,489
1. polyethylene	**31.57**	17.67	13.90	**6,313**	4,922	1,391
2. polypropylene	**30.02**	16.55	13.47	**6,288**	4,690	1,598
Urea	**26.62**	17.68	8.94	**1.163**	893	270
Methanol	**2.48**	5.81	-3.33	**1,859**	1,452	407

For the year ended 31 December 2017, the cost of sales of polyolefin of the Group increased by RMB2.737 billion year-on-year to RMB6.159 billion, which was mainly due to the combined effects of factors such as the increase in sales volume of polyolefin as a result of the commencement of production by Mengda Engineering Plastics Project, and the rise in price of raw coal and raw methanol and the maintenance of polyolefin production facilities, which resulted in increase of unit cost of sales. The cost of sales of urea increased by RMB894 million year-on-year to RMB2.662 billion, which was mainly due to the combined effects of factors such as the rise in price of raw coal which resulting in increase of unit cost of sales. The cost of sales of methanol decreased by RMB333 million year-on-year to RMB248 million, which was mainly due to the increase in sales costs offset by internal sales. The unit cost of sales increased by RMB407/tonne year-on-year to RMB1,859/tonne, which was mainly due to the combined effects of factors such as the rise in price of raw coal.

• Gross profit and gross profit margin

For the year ended 31 December 2017, the gross profit of the Group's coal chemical operations increased by RMB48 million from RMB2.335 billion for year ended 31 December 2016 to RMB2.383 billion, and the gross profit margin decreased from 22.1% for the year ended 31 December 2016 to 18.7%, representing a decrease of 3.4 percentage points. This was mainly due to the combined effects of factors of the rise in prices of key raw materials such as coal and methanol procured from outside, as well as maintenance of methanol and polyolefin facilities.

3. *Coal mining equipment segment*

• Revenue

For the year ended 31 December 2017, the Group's revenue from the coal mining equipment operations increased from RMB4.029 billion for the year ended 31 December 2016 to RMB5.537 billion, representing an increase of 37.4%, of which the revenue net of other inter-segmental sales increased from RMB3.674 billion for the year ended 31 December 2016 to RMB5.109 billion, representing an increase of 39.1%. This was mainly due to the recovery of coal mining equipment market, which led to the year-on-year increase in sales volume of main products.

• Cost of sales

For the year ended 31 December 2017, the Group's cost of sales for the coal mining equipment operations increased from RMB3.355 billion for the year ended 31 December 2016 to RMB4.844 billion, representing an increase of 44.4%. The details of the major cost item are set out as follows:

Unit: RMB100 million

Item	**For the year ended 31 December 2017**	For the year ended 31 December 2016	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease (%)
Materials costs	**33.24**	18.99	14.25	75.0
Staff costs	**4.43**	5.58	-1.15	-20.6
Depreciation and amortisation	**3.05**	2.92	0.13	4.5
Repairs and maintenance	**0.34**	0.53	-0.19	-35.8
Transportation costs	**0.94**	0.83	0.11	13.3
Sales taxes and surcharges	**0.24**	0.49	-0.25	-51.0
Other costs	**6.20**	4.21	1.99	47.3
Total costs of sales of coal mining equipment operations	**48.44**	33.55	14.89	44.4

• Gross profit and gross profit margin

For the year ended 31 December 2017, the gross profit of the Group's coal mining equipment operations segment increased by RMB19 million from RMB674 million for the year ended 31 December 2016 to RMB693 million; and the gross profit margin decreased from 16.7% for the year ended 31 December 2016 to 12.5%, representing a decrease of 4.2 percentage points.

4. Finance operations and other operations

The Group's financial and other operating segments mainly include Finance Company, thermal power generation and other operations. For the year ended 31 December 2017, the Group's total revenue from finance operations and other operations increased from RMB2.490 billion for the year ended 31 December 2016 to RMB2.647 billion, representing an increase of 6.3%. The revenue net of other inter-segmental sales decreased from RMB1.764 billion for the year ended 31 December 2016 to RMB1.719 billion, representing a decrease of 2.6%. Cost of sales increased from RMB2.238 billion for the year ended 31 December 2016 to RMB2.580 billion, representing an increase of 15.3%. Gross profit decreased by RMB185 million from RMB252 million for the year ended 31 December 2016 to RMB67 million, and gross profit margin decreased from 10.1% for the year ended 31 December 2016 to 2.5%, representing a decrease of 7.6 percentage points.

(3) Selling Expenses, General and Administrative Expenses

For the year ended 31 December 2017, the Group's selling expenses, general and administrative expenses increased from RMB4.297 billion for the year ended 31 December 2016 to RMB4.697 billion, representing an increase of 9.3%. It was mainly due to combined effects of factors of related subsidiaries' cost expenses charging into such item accounting during the period of production suspension and the commencement of production by Mengda Engineering Plastics Project and other projects under construction.

(4) Other Net Gains

For the year ended 31 December 2017, other net gains of the Group decreased from RMB399 million for the year ended 31 December 2016 to RMB-1.661 billion, representing a decrease of RMB2.060 billion. This was mainly attributable to the combined effects of factors of recognition of other gains of RMB1.018 billion as a result of the Group's disposal of certain assets less relevant to the principal businesses in 2016 and the year-on-year provision increase made for assets impairment loss in this year.

For the year ended 31 December 2017, the assets impairment loss of the Group increased RMB1.355 billion to RMB1.916 billion from RMB0.561 billion for the year ended 31 December 2016. The Group further pushed forward the supply-side structural reform in combination with dedicated tasks such as cutting overcapacity and "disposal and governance of zombie and difficult enterprises" to objectively and fairly reflect the Company's assets. In line with the principle of prudence, the Group conducted impairment tests on assets that showed signs of impairment in 2017 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 bad debts for receivables that were expected to be poorly recoverable in single item based on aging amounted to RMB196 million; provision for loss of new bank loans to member entities outside the scope of consolidated statements at 1% by Finance Company amounted to RMB12 million; provision for impairment of individual available-for-sale financial assets amounted to RMB42 million; provision for impairment of property, plant and equipment with recoverable amount less than carrying amount amounted to RMB801 million; provision for impairment of mining rights with recoverable amount less than carrying amount amounted to RMB687 million; provision for impairment of land use rights amounted to RMB24 million; and provision for impairment of other non-current assets with recoverable amount less than carrying amount amounted to RMB154 million.

(5) Profit from Operations

For the year ended 31 December 2017, the Group's profit from operations increased by RMB3.318 billion from RMB6.137 billion for the year ended 31 December 2016 to RMB9.455 billion, of which the profit from coal operations increased by RMB4.576 billion on a year-on-year basis mainly attributable to the combined effects of, among others, the year-on-year increase in coal sales price. The profit from coal chemical operations recorded a year-on-year decrease of RMB1.105 billion, which was mainly due to the combined effects of factors of rise of raw coal's price, the year-on-year increase in the provision for assets impairment loss during 2017 and the year-on-year decrease in the gains from the disposal of assets.

Profits from operations for major operating segments and changes are as follows:

Unit: RMB100 million

	For the year ended 31 December 2017	For the year ended 31 December 2016 (restated)	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease (%)
The Group	**94.55**	61.37	33.18	54.1
Of which: Coal operations	**86.48**	40.72	45.76	112.4
Coal chemical operations	**10.21**	21.26	-11.05	-52.0
Coal mining equipment operations	**0.76**	1.17	-0.41	-35.1
Finance operations and other operations	**-1.33**	1.71	-3.04	-177.8

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 2017, the Group's net finance costs decreased by 13.1% from RMB3.742 billion for the year ended 31 December 2016 to RMB3.252 billion. This was mainly because the Group refined its capital management and reasonably controlled the debt scale, leading to a year-on-year decrease in the balance of interest-bearing debt and accordingly a decrease in interest expenditure. Among which, finance income decreased by 7.8% from RMB614 million for the year ended 31 December 2016 to RMB566 million, Finance costs decreased by 12.4% from RMB4.357 billion for the year ended 31 December 2016 to RMB3.818 billion.

(7) Share of Profits of Associates and Jointly Controlled Entities

For the year ended 31 December 2017, the Group's share of profits of associates and jointly controlled entities increased from RMB608 million for the year ended 31 December 2016 to RMB1.122 billion, representing an increase of 84.5%. This was mainly attributable to the increase in the Group's share of profits of associates and jointly controlled entities which was calculated by equity method and recognised in proportion to its shareholding resulting from the increase in profits generated from the investees of the Group, including coal mining, coal chemical, railway and port companies during the reporting period.

(8) Profit Before Income Tax

For the year ended 31 December 2017, the profit of the Group before income tax increased from RMB3.003 billion for the year ended 31 December 2016 to RMB7.326 billion, representing an increase of RMB4.323 billion.

(9) Income Tax Expenses

For the year ended 31 December 2017, the Group's income tax expenses increased from RMB299 million for the year ended 31 December 2016 to RMB1.654 billion, representing an increase of RMB1.355 billion.

(10) Profit Attributable to the Equity Holders of the Company

For the year ended 31 December 2017, the profit attributable to the equity holders of the Company increased from RMB1.716 billion for the year ended 31 December 2016 to RMB3.490 billion, representing an increase of RMB1.774 billion.

III. Cash Flow

As at 31 December 2017, the balance of the Group's cash and cash equivalents amounted to RMB10.098 billion, representing a net increase of RMB177 million as compared to RMB9.921 billion as at 31 December 2016.

Net cash generated from operating activities increased by RMB5.738 billion from RMB12.069 billion for the year ended 31 December 2016 to RMB17.807 billion, which was mainly attributable to significant improvement in operating results of the Group and elaboration of financial management at the same time, which led to the year-on-year increase in net cash generated from operating activities.

Net cash generated from investing activities decreased by RMB20.588 billion from RMB10.575 billion for the year ended 31 December 2016 to RMB-10.013 billion, which was mainly attributable to the year-on-year increase of RMB17.680 billion in cash outflow generated from the movement of the Group's fixed term deposits with initial terms exceeding three months (net outflow for the 2017 amounted to RMB2.719 billion, while net inflow for 2016 amounted to RMB14.961 billion). In addition, the cash inflows received from the transfer of equity and assets, the recovery of loans due were reduced year-on-year.

Net cash generated from financing activities increased by RMB16.347 billion from RMB-23.951 billion for the year ended 31 December 2016 to RMB-7.604 billion, which was mainly attributable to the net cash decrease of RMB1.259 billion in further compressed interest-bearing debts as a result of the Group's reasonable control over debt scale, and the net decrease of RMB17.315 billion compared with 2016, which led to the year-on-year reduction in net cash outflow of RMB16.056 billion, as the Group vigorously curtailed liabilities scale.

IV. Liquidity And Sources Of Capital

For the year ended 31 December 2017, the Group's funds were mainly derived from the proceeds generated from business operations, bank borrowings and net proceeds raised in capital markets. The Group's funds were mainly used for investments in production facilities and equipment for coal, coal chemical, coal mining equipment and power generation operations, repayment of debts payable by the Group, and the Group's working capital and general recurring expenditures.

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

V. Assets And Liabilities

(1) Property, Plant and Equipment

As at 31 December 2017, the net value of property, plant and equipment of the Group amounted to RMB128.331 billion, representing a net increase of RMB84 million or 0.1% as compared to RMB128.247 billion as at 31 December 2016, among which, net value of buildings amounted to RMB30.713 billion, representing a proportion of 23.9%; net value of mining structures amounted to RMB15.736 billion, representing a proportion of 12.3%; net value of plant, machinery and equipment amounted to RMB39.385 billion, representing a proportion of 30.7%; and net value of construction in progress amounted to RMB38.706 billion, representing a proportion of 30.2%.

(2) Mining Rights

As at 31 December 2017, the net value of the Group's mining rights amounted to RMB32.759 billion, representing a net decrease of RMB915 million and 2.7% as compared to RMB33.674 billion as at 31 December 2016, mainly attributable to the amortisation of RMB325 million during 2017 and RMB687 million of provision for impairment of assets as for the individual mining rights.

(3) Investments in Associates

As at 31 December 2017, the Group's net investment into associates amounted to RMB16.377 billion as compared to RMB12.009 billion as at 31 December 2016, representing a net increase of RMB4.368 billion or 36.4%, which was mainly due to the combined effects of factors of amongst others, the change in the influence exerted over certain investees, the transfer of the investments in such companies which were accountable for the available-for-sale financial assets to the investments in associates, the improvement for associates' profits would increase investment income and the new associates added by way of capital contribution during 2017.

(4) Accounts and Notes Receivables

As at 31 December 2017, the Group's net value of Accounts and notes receivables amounted to RMB15.514 billion, representing a net increase of RMB1.056 billion and 7.3% as compared to RMB14.458 billion as at 31 December 2016, the receivables had a net value of RMB6.517 billion, representing a net decrease of RMB1.142 billion to RMB6.517 billion as compared to RMB7.659 for the year ended 31 December 2016, which was mainly because the Group's sales revenue increased significantly and the Company enhanced efforts in collecting accounts receivables; for the notes receivables, the net value amounted to RMB8.997 billion, representing a net increase of RMB2.198 billion to RMB8.997 billion as compared to RMB6.799 billion for the year ended on 31 December 2016 was mainly due to the bank acceptance notes settlement increase together with the expansion of sale scale of the Group.

(5) *Borrowings*

As at 31 December 2017, the balance of borrowings of the Group amounted to RMB63.736 billion, representing a net decrease of RMB2.496 billion or 3.8% as compared to RMB66.232 billion as at 31 December 2016. It is mainly due to the favorable opportunity of the Group's continuous increase in operating results and net cash generated from operating activities, and the reasonable control of the scale of liabilities. The balance of borrowings was reduced compared to the beginning of 2017. Among which, the balance of long-term borrowings (including the portion due within one year) was RMB56.780 billion, representing a net decrease of RMB2.879 billion as compared to RMB59.659 billion as at 31 December 2016, and the balance of short-term borrowings amounted to RMB6.956 billion, representing a net increase of RMB383 million as compared to RMB6.573 billion as at 31 December 2016.

(6) *Bonds*

As at 31 December 2017, the balance of bonds of the Group amounted to RMB29.866 billion, representing a net increase of RMB966 million or 3.3% from RMB28.900 billion as at 31 December 2016, among which, short-term bond balance was RMB3.000 billion unbiased with which on 31 December 2016; long-term bond balance was RMB26.866 billion, with a net increase of RMB966 million from RMB25.900 billion on 31 December 2016, this was mainly attributable to the Company's issuance of corporate bonds of RMB1.0 billion.

VI. Significant Charge of Assets

As for the year ended 31 December 2017, the Group did not have significant charge of assets. As at 31 December 2017, the carrying value of the charge of assets of the Group amounted to RMB5.967 billion, of which the carrying value of the pledged assets and mortgaged assets amounted to RMB538 million and RMB5.429 billion, respectively.

VII. Significant Investment

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

VIII. Material Acquisitions and Disposals

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

IX. Registration and Issuance of Corporate Bonds, Medium-term Notes and Short-term Financing Bills

The goal of registration and issuance of corporate bonds, medium-term notes and short-term financial bonds by the Group is to replenish the working capital of the Group and adjust the debt structure. During the reporting period, the Group issued corporate bonds of RMB1.0 billion, registered medium-term notes of RMB10.0 billion and issued short-term financing bills of RMB3.0 billion.

X. Operational Risks

(1) Risks of Fluctuation in Macro Economy

The coal industry is a fundamental sector of the Chinese economy, which is closely linked to the macro economy and significantly affected by other relevant industries including electricity, metallurgy, construction materials and chemical industry. Currently, as the world's major developed economies still undergo the deep adjustment phase, China's economic growth has entered a new normal. There are still many unstable and uncertain factors affecting the macro economy in 2018, which may have significant impacts on the operating results of the Company. The Company will execute strict budget planning, strengthen regular monitoring and analysis, and enhance 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 an impact on the profit margin of the coal chemical products of the Company. The Company will enhance market research and 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 of Chinese government 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 in 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 chemicals will inevitably affect the environment to a certain extent. The Company has strictly complied with 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 environmental 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 study the trend of the global exchange market, effectively control and prevent the risks of foreign exchange by using various financial instruments.

XI. Contingent Liabilities

(1) Bank Guarantees

As at 31 December 2017, the Group provided guarantees for a total amount of RMB23.232 billion, of which RMB15.990 billion were guarantees provided in proportion to the Group's shareholdings to its joint ventures and associates.

(2) Environmental Protection Responsibilities

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

(3) Contingent Legal Liabilities

For the year ended 31 December 2017, the Group was not involved in any material litigation or arbitration, and to the knowledge of the Group, there is no material litigation or arbitration pending or threatened against or involving the Group.

BUSINESS PERFORMANCE

I. Principal Business Operations of the Company in 2017

The Company is a large-scale energy enterprise integrating business 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 is at the leading edge in the coal industry by focusing on the principal coal business. Over the years, the Company has been optimizing 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 start-up level 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 strived to improve the quality of products and services, diversified the product structure to consolidate the market share and extend the industrial chain of coal.

(1) Coal Operations

In 2017, the domestic economic development made steady progress and the supply-side structural reform continued to push forward. The coal industry operated smoothly, the coal market achieved a general supply-demand balance and the overall profits of coal enterprises showed upward momentum. Focusing on the keynote of "quality improvement amid stability with reform and innovation" and adopting the market-oriented, profit-centered approach, the Company made all efforts to organize coal production and marketing, so that the profitability of the coal business steadily increased.

1. Coal production

The Company overcame the difficulties such as complex production conditions, intense production succession, etc. Adhering to the problem-orientated principle, the Company scientifically organized production, effectively released advanced production capacity, continuously optimised production structure, and strived to stabilize and increase production volume. During the reporting period, the commercial coal output was 75.54 million tonnes, of which the thermal and coking coal outputs reached 66.90 million tonnes and 8.64 million tonnes respectively. Pingshuo Company was fully committed to the organization of production, expedited land acquisition and village relocation and took serious measures on making up the stripping volume as well as on production increase of underground mining, in order to ensure that the coal output remained stable,which will provide support for the stable increase in coal production in the next few years. The Shanghai Energy Company actively overcame the difficulties such as complex geological conditions, more difficult organization of production, etc., continuously optimised the production system and washing and preparation techniques, and spared no efforts to ensure production stability and quality improvement. China Coal Huajin Company guaranteed mining and roadheading succession in advance and maintained balanced, efficient production, achieving smooth, orderly production and operation as well as another record high of comprehensive profit.

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

The Company vigorously promoted innovative development so as to lower cost and improve efficiency for coal production via scientific innovation. The Company continued to raise unit output and unit roadheading level of its mines through wide adoption of new technologies and new equipment for coal mining. Through technology optimisation and technique improvement, the Company reduced the energy consumption and numbers of working faces and constantly improved the recovery rate of resources. During the reporting period, the raw coal productivity was 36.23 tonnes per worker-shift, representing an advanced level in the coal industry (according to the statistics of the China National Coal Association, the industry-wide raw coal productivity was 8.092 tonnes per worker-shift in 2016).

Following the green development principle, the Company actively improved measures such as separate underground mining, separated loading and separate transportation of coal, increased in coal washing rate, optimised washing and preparation techniques to improve product structure, and steadily improved the commercial coal quality to meet the diverse needs of customers.

2. *Coal sales*

In 2017, the Company actively fulfilled its social responsibility and played the leading role as a key enterprise. Besides, the Company deeply implemented the new thermal coal long-term agreement mechanism, accurately coordinated production with sales and strengthened marketing supervision to continuously improve its marketing and profit-making capabilities. Through optimisation on the development strategy of the coking coal market, the end users of the metallurgical industry increased steadily and the Company's market influence was improved effectively.

While implementing the supply-side structural reform, the Company closely monitored the market demands, and strived to improve the high-quality supply capacity. During the reporting period, the Company generally maintained smooth coordination between coal production and sales, achieving the sales volume of self-produced commercial coal of 73.29 million tonnes.

The Company accelerated improvement on the logistics system, integrated internal and external resources and strongly developed coordinated sales in order to increase the sales volume and market share, achieving the full-year sales volume of proprietary coal trading of 47.52 million tonnes.

Sales volume of commercial coal (10 thousand tonnes)	**2017**	2016 (Restated)	Change (%)
(I) Domestic sales of self-produced coal	**7,320**	8,026	-8.8
By region: North China	**2,041**	2,496	-18.2
East China	**3,487**	4,088	-14.7
South China	**918**	655	40.2
Others	**874**	787	11.1
By coal type: Thermal coal	**6,460**	7,054	-8.4
Coking coal	**860**	972	-11.5
(II) Self-produced coal export	**9**	41	-78.0
By region: Taiwan, China	**9**	41	-78.0
By coal type: Thermal coal	**9**	41	-78.0
(III) Proprietary trading	**4,752**	4,825	-1.5
Of which: Domestic resale	**4,605**	4,579	0.6
Import trading	**124**	230	-46.1
Self-operated exports	**19**	16	18.8
Transit trading	**4**	–	–
(IV) Agency sales	**846**	343	146.6
Of which: Import agency	**115**	13	784.6
Export agency	**251**	258	-2.7
Domestic agency	**480**	72	566.7
Total	**12,927**	13,235	-2.3

3. *Coal Reserve*

Major mining areas	**Resource reserve (100 million tonnes)**	**Recoverable reserve (100 million tonnes)**
Shanxi	75.13	41.25
Inner Mongolia-Shaanxi	142.09	89.62
Jiangsu	7.54	2.75
Xinjiang	6.56	3.67
Heilongjiang	3.08	1.36
Total	234.40	138.65

Coal type	Resource reserve (100 million tonnes)	Recoverable reserve (100 million tonnes)
Thermal coal	204.42	126.72
Coking coal	29.98	11.93
Total	234.40	138.65

During 2017, the Company verified to decrease the resource reserve by 23 million tonnes and utilised 136 million tonnes of resource reserve. As at the end of 2017, the Company had coal resource reserve of 23.44 billion tonnes with mining rights and recoverable reserve of 13.865 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 and ensured full, sound, safe and stable operation of the coal chemical facilities in the long run by orderly arranging facility overhaul and proactively eliminating system defects. The Company's facility start-up level and main econo-technical indicators stayed ahead in the world. Yulin Olefin Project seriously implemented safety control in high-load state and hit a new level in production, with an average daily polyolefin output exceeding 2,166 tonnes and an annual polyolefin output of 684 thousand tonnes. Tuke Fertiliser Project strived to make technological breakthrough and effectively tapped the facility potential, hitting a new record high in main and by-product outputs and achieving an annual urea output of 1.996 million tonnes which represented a year-on-year increase of 141 thousand tonnes. Mengda Engineering Plastics Project was put into formal operation in August and maintained stable operation with high load, with an annual polyolefin output of 632 thousand tonnes.

The Company attached strong emphasis on the coal chemical technology innovation and new product research and development. In line with the market demands, the Company increased grades of polyolefin, developed new urea products and continually optimised coal chemical product structure. The Company also deepened the processing and utilization of the by-products and achieved steady improvement in its comprehensive benefit-making capability. The Company continued to conduct benchmarking and standard attainment, and strived to improve the level of cost management, of which the cost of major coal chemical products was in the leading position in the industry.

Fully taking advantage of the centralised sales of coal chemical products, the Company flexibly adjusted the pacing of sales while taking into consideration of the overhaul plan of coal chemical facilities, ensured the continuity in product supply and stabilised its market share. The Company made ongoing improvement on the market structure, optimised marketing strategies and implemented complementation between the peak and off-peak seasons, and increased the market share and the brand influence of China Coal. Keeping abreast with the changes of the market, the Company diversified the product structure, strengthened the transport capacity assurance and lowered the logistic cost in order to ensure smooth coordination between production and sales. The sales and profits of major chemical products were increased significantly. During the reporting period, the accumulated sales volume of polyolefin was 977 thousand tonnes, representing a year-on-year increase of 37.4%; and the sales volume of urea was 2.290 million tonnes, representing a year-on-year increase of 15.7%. In addition, the Company fully utilised the geographic advantage of the enterprises in Ordos to coordinate and organise the production and sales of the chemical enterprises in the upstream and downstream industries. Apart from external sales of 133 thousand tonnes of methanol in 2017, the Company supplied 586 thousand tonnes of raw material of methanol to internal olefin enterprises.

Production and sales volume of coal chemical products(10 thousand tonnes)	**2017**	2016	Change (%)
(I) Polyolefin			
1. Production volume of polyethylene	**49.8**	36.1	38.0
Sales volume	**50.0**	35.8	39.7
2. Production volume of polypropylene	**47.8**	34.9	37.0
Sales volume	**47.7**	35.3	35.1
(II) Urea			
1. Production volume	**199.6**	197.5	1.1
2. Sales volume	**229.0**	198.0	15.7
(III) Methanol			
1. Production volume	**62.5**	65.1	-4.0
2. Sales volume	**13.3**	40.0	-66.8

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

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

3. The methanol sales volume of the Company includes the sales volume of 24 thousand tonnes of all the proprietary methanol products produced by Heilongjiang Coal Chemical Group, a subsidiary of China Coal Group, excluding the internal consumption of 586 thousand tonnes.

(3) Coal Mining Equipment Operations

Seizing the opportunities of advanced production capacity release of coal mines and increase in equipment demand, the Company made great efforts to win orders, consolidated the market share of major products and fully explored the production potential. In addition, the Company actively coordinated all the resources, strengthened the organization of production and released the processing capacity in order to meet the users' needs with all its strength.

During the reporting period, the accumulated amount of the signed contracts increased by 62.5% on a year-on-year basis. The Company focused on production schedule to ensure delivery on time by overcoming difficulties such as concentrated contract tasks and short lead time, and achieved production value of coal mining equipment of RMB4.97 billion, representing a year-on-year increase of 54.3%. The total production volume of coal mining equipment was 259 thousand tonnes, representing a year-on-year increase of 24.5%, of which 12,776 units (sets) were major coal mining equipment.

	Production value (RMB100 million)			**Sales revenue (RMB100 million)**	
Coal mining equipment	**2017**	2016 (Restated)	Change (%)	**2017**	Percentage of operating revenue of the coal mining equipment segment (%)
Main conveyor products	**25.4**	15.1	68.2	**24.9**	44.9
Main support products	**13.8**	10.1	36.6	**15.3**	27.6
Others	**10.5**	7.1	47.9	**15.2**	27.4
Total	**49.7**	32.2	54.3	**55.4**	–

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

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

(4) *Coordination among Operating Segments*

The Company fully capitalised on the advantages of industrial chain, stabilised its traditional principal businesses, optimised the layout of industrial structure, and promoted the transformation and upgrading of the enterprises to continuously enhance coordinated development among the operating sectors. During the reporting period, the power plants and chemical enterprises of the Company jointly promoted clean utilisation and conversion of coal, and consumed 4.25 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 2.11 million tonnes of engineering coal from surrounding coal mines under construction. The coal mining equipment segment achieved internal product sales and services revenue of RMB430 million, representing 7.8% 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 the bases located in Shanxi, Inner Mongolia, Shaanxi, Jiangsu and Xinjiang, the Company is dedicated to becoming a world-first class clean energy supplier 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 capable, efficient production mode and the scale merit of cluster development constitute the core competitive advantage of the Company. 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 in the mining area in Xiangning, Shanxi, is of high quality with low sulphur and extra low phosphorus content. Resource advantages enable the Company to win the market competitive edges and provide the Company with favourable conditions for achieving sustainable development.

The Company adheres to the optimisation of industrial structure, focuses on related business such as coal power generation and coal chemical, and strives to establish a new circular economic business line for coal, power, chemical and etc. The Company's coal-based fertiliser project constructed in Inner Mongolia-Shaanxi base 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 has set records in terms of the shortest construction and start-up period, compared with the similar facilities in the PRC. Mengda Engineering Plastics Project has been put into operation and achieved stable operation with high load. The products have been widely recognised by the market. Pingshuo Inferior Coal Comprehensive Utilisation Demonstration Project has entered into the joint trial operation phases, further pushed forward the utilisation of the classification of coal, and enhanced product value and efficiency. The Company is vigorously pushing forward low calorific value coal and pit-mouth power generation projects, with three large-scale power projects being constructed in bases in Shanxi, Xinjiang and Jiangsu, etc., which will lay a solid foundation for the Company to gain comparative cutting edges and improve its core competitiveness.

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. By capitalising on its constructed system of coal sales and logistics, well-established port service and high-calibre professional teams, the Company is able to quickly adapt to coal market changes by leveraging on its 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 whole industrial chain for coal. The advantages of the complete industrial chain of the Company can effectively expand the scopes of products and services, improve the Company's capability in coal production and sales, and reinforce the Company's risk resistance capability and core competitiveness.

The Company has a sound management system and can provide an institutional environment for development and growth. The Company has established a sound enterprise management system and is gradually improving its internal control and legal risk control systems. The company devotes major efforts to implement centralized management and control over sales of coal and coal chemical products as well as centralized management of finance, investment and material purchasing and enhances management by objectives and comprehensive budget management, significantly lowering the costs and increasing the productivity and operating efficiency. Dedicated in building "harmony" cultural concept, creating "harmony" cultural atmosphere and promoting "harmony" cultural construction of "respect and inclusion, trust and support, united minds and actions, harmonious development", the Company has established a good corporate image and has cohesive employees, laying an important foundation for the company for robust development.

In recent years, the Company has adhered to the established strategy and firmed confidence of development so as to expedite extension of coal business to coal chemical and coal power generation with a shift of development mode from scale and speed-oriented extensive growth model to the quality and efficiency-focused intensive model. Coal business has achieved scale development and innovative coal chemical has become a new growth driver. Power industry has also made new achievements while the equipment industry has stayed ahead of the industry. 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, the adjustments on the coal structure have achieved remarkable results and the industrial concentration has been increasing continuously. The production volume of top 10 coal enterprises in China has exceeded more than 40% of the domestic total output, and the assurance for stable coal supply in China has increasingly been strengthened. The supply-demand scenario has been undergoing deep adjustment. The center of coal production in China is increasingly being concentrated in Shanxi, Shaanxi, Inner Mongolia and Ningxia, with the coal output in the four provinces and regions accounting for about 70% of the domestic total output. With the shift of the coal production center to the west of China and the expansion of inter-region coal allocation scale, the coal transportation pattern formed over the years has been broken. The problems of tight regional and temporal coal supply have gradually come into surface.

From the perspective of the policy guidance, the government focuses on guiding enterprises to participate in capacity reduction and replacement, developing advanced production capacity, and encouraging optimisation and integration of coal resources, with the aim of making specialized coal enterprises stronger, better, and bigger by way of expediting the reform process of state-owned enterprises. From the perspective of the industry level, the revolution in energy production and consumption is 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 coal producers have become more determined to phase out backward production capacity; and key coal enterprises have played leading roles in guaranteeing supply and stabilizing coal prices. As resolving of excess capacity and capacity replacement continue to move forward, backward production capacity has been gradually eliminated, and the coal enterprises have been increasing 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 2017, the Company kept abreast of market changes, organize production scientifically, spent more efforts on quality and productivity improvement, and promoted reform and adjustments. The operational quality was enhanced gradually and the profit before income tax was increased significantly. By leveraging on its own advantages, the Company will vigorously participate in the consolidation of coal resources and firmly advance structure adjustment so as to become a world first class clean energy supplier with global competitiveness.

IV. Industry Development Trends Of The Business Of The Company

In 2018, as China's economic growth will remain to develop rapidly, the coal consumer demand is expected to keep growing on a year-on-year basis, and the release of the domestic advanced production capacity will accelerate, so that the coal supply is expected to increase. In addition, de-capacity will continue to move forward and the backward production capacity shall be further reduced, so that the supply and demand of coal in 2018 are expected to maintain general balance but supplies in certain periods and certain areas may be tight due to relatively insufficient capacity. The coal price is expected to hover at high level and decrease to a lower level and then gradually returns to a reasonable range.

Improving the quality of the supply system is the fundamental guiding ideology for the future development of the coal industry. 560 million tonnes of cumulative backward production capacity was phased out during the 12th Five-year Plan period and over 400 million tonnes of cumulative overcapacity was cut in the past two years, completing more than half of the target of the 13th Five-Year Plan. According to the statistics of the China National Coal Association, the number of coal mines in China has been reduced from more than 12,000 in early 2016 to around 8,000 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 annual output of 1.2 million tonnes or above have been constructed throughout China. In the next period, aggregate coal de-capacity will be transformed to structural coal de-capacity. The quality of the domestic coal supply system is expected to improve steadily.

According to the data from the National Bureau of Statistics, coal consumption still accounted for more than 60% of China's total energy consumption in 2017. The dominant position of coal being the main energy will remain unchanged in a long foreseeable future. However, with the rapid growth of new energy, stricter constraints on ecological and environmental protection and continuous improvement of social energy conservation, the growth of coal consumption demand is likely to slow down gradually. 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. Currently, the international oil price maintains at relatively high level, which provides some support for the polyolefin price. Chinese government is strengthening environmental supervision, which will continuously push forward the supply-side reform of the chemical fertilizer and traditional chemical industries, making a positive impact on the prices of products such as chemical fertilizers.

V. Production And Operation Plans Of The Company In 2018

In 2017, firmly focusing on the annual production and operation targets, the Company reasonably organized production, strengthened the coordination between production and sales, optimised the product structure, raised 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 organization of coal production and coal chemical shutdown for overhaul, and nearly completed the annual production and operation plans, with commercial coal output of 75.54 million tonnes; sales volume of self-produced commercial coal of 73.29 million tonnes; polyolefin output of 976 thousand tonnes and polyolefin sales volume of 977 thousand tonnes; urea output of 1.996 million tonnes and urea sales volume of 2.29 million tonnes. The Company recorded the operating revenue of RMB81.123 billion, representing a year-on-year increase of 33.7%. Due to combined effects such as rising prices of the raw materials, increased safety investment and a year-on-year decrease in the sales volume of self-produced commercial coal, the unit cost of sales of self-produced commercial coal amounted to RMB329.38/tonne, representing a year-on-year increase of RMB57.42/tonne. The profit before income tax reached RMB7.326 billion, representing a year-on-year increase of RMB4.323 billion.

In 2018, in view of 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 continue to focus on "cutting overcapacity, destocking, deleveraging, reducing costs, and remedying the weakness", prevent and eliminate major risks and strive to improve the profitability. According to the annual plan for 2018, 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 75 million tonnes, 1.3 million tonnes and 1.85 million tonnes respectively; the operating revenue will be strived 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 2017. In addition, the Company will exercise strict control on the expenses and make efforts to achieve stable profit increase. The Company will focus on the following tasks:

Firstly, the Company will scientifically organise coal production to ensure stable production, quality improvement and efficiency increase. The Company will promote refined management to stay ahead in the coal chemical industry, and keep improving the quality of the products and services to comprehensively increase the overall marketing capability.

Secondly, 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.

Thirdly, the Company will vigorously advance the preliminary work of projects and strengthen the management of key construction projects. The Company will exert the advantages of industrial collaboration and specialized management in order to comprehensively improve the quality of development and promote the transformation and upgrading of the Company.

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

Fifthly, the Company will continue to deepen the reform of three systems on labour, human resources and income distribution, promote scientific and technical innovation, comprehensively improve the quality of reform and innovation, and make efforts to enhance the developmental motivation.

Sixthly, the Company will improve the control capacity and management efficiency, motivate the Company's vitality and comprehensively improve the management quality to facilitate the Company to operate in a standard and efficient way.

Seventhly, the Company will strengthen talent team building and establishment of talent pool, continuously optimise the human resource structure and comprehensively improve the talent quality to enhance the Company's talent assurance.

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

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

SIGNIFICANT EVENTS

(1) Share Capital Structure

As at 31 December 2017, 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 2016

The Company's 2016 profit distribution plan was considered and approved at the Company's 2016 annual general meeting held on 26 June 2017. Cash dividend of RMB514,531,500, which is 30% of the net profit attributable to the equity holders of the Company, RMB1,715,105,000, for the year of 2016 and set out in the consolidated financial statements of the Company prepared in accordance with IFRS would be distributed to the shareholders. Based on the total issued share capital of 13,258,663,400 shares of the Company, RMB0.039 (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

On 27 October 2017, the Company convened the 7th meeting of the third session of the Board of Directors in 2017 to consider and approve the "Proposal on Amendments to the Company's Articles of Association" and "Proposal on Amendments to the Company's Rules of Procedure for Board of Directors", which were reviewed and approved by the Company's first extraordinary general meeting held on 19 December 2017. The relevant amendments mainly concerned the role of the Communist Party of China in the Company and the procedure for the Board of Directors to listen to opinions of party organizations when making major decisions.

For details, please refer to the announcements of the Company published on the SSE Website, the HKSE Website and the Company Website on 27 October 2017 and 29 December 2017.

(4) Transaction of Assets

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

(5) Other Significant Events

1. Matters in relation to the provision of guarantee for the financing project of Jingshen Railway Company by the wholly-owned subsidiary of the Company

On 27 April 2017, the 4th meeting of the third session of Board of the Company for 2017 considered and passed the "Resolution on Provision of Guarantee by China Coal Shaanxi Company for the Financing Project of Shaanxi Jingshen Railway Co., Ltd based on Shareholding Proportion", approving the provision of guarantee by China Coal Shaanxi Company for Shaanxi Jingshen Railway Company.

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

2. **Matters in relation to the Approval of Ordos Olefin Project**

On 18 May 2017, the Company disclosed the "Reply on Approval of Coal Deep Processing Demonstration Phase 2 Project – Methanol To Olefin Project by Zhongtian Synergetic Company" issued by the Inner Mongolia Development and Reform Commission (Nei Fa Gai Chan Ye Zi [2017] No. 229), which approved the Ordos Olefin Project and approved the construction of the Methanol To Olefin Project with the annual output of 1.33 million tonnes of olefin by Zhongtian Synergetic Company.

For details, please refer to the announcements of the Company published on the SSE Website, the HKSE Website and the Company Website on 27 April 2017 on 18 May 2017.

3. **Matters in Relation to the Issuance of Corporate Bonds**

On 24 November 2016, with the approval of the CSRC via CSRC Approval [2016] No.2822, the Company was permitted to issue corporate bonds of no more than RMB8 billion (inclusive) to the eligible investors. On 20 July 2017, the Company successfully issued the corporate bonds for 2017 (tranche one), with an actual offering size of RMB1 billion. The corporate bonds (tranche one) issued in 2017 was listed on Shanghai Stock Exchange on 3 August 2017.

For details, please refer to the announcements of the Company published on the websites of SSE, HKSE and the Company on 17 July 2017, 21 July 2017 and 2 August 2017.

4. **Matters in Relation to the Issuance of Short-term Financing Bills of the Company**

On July 24 2017, the Company successfully issued the first tranche of short-term financing bills of RMB3 billion in 2017.

For details, please refer to the announcements of the Company published on the SSE website, the HKSE website and the Company website on 25 July 2017.

5. **Matters in relation to the use of proceeds to temporarily supplement the working capital**

On 23 August 2017, the "Resolution on the Use of Proceeds to Temporarily Supplement the Working Capital" was considered and approved on the sixth meeting of the third session of the Board in 2017, which approved the Company to use the idle proceeds of RMB3.355 billion to temporarily supplement the working capital and the period of use should not exceed 12 months.

For details, please refer to the announcements of the Company published on the SSE website, the HKSE website and the Company website on 23 August 2017.

6. **Matters in relation to the change of the use of some of the proceeds from A-share offering project**

   On 23 August 2017, the "Resolution on Change of the Use of Some of the Proceeds from A-share offering Project" was considered and approved on the sixth meeting of the third session of the Board in 2017, based on which the Company was permitted to change the use of the proceeds from A-share offering project – the proceeds from the coal mine project with the annual output of 3 million tonnes in Xiaohuigou Coal Mine of Shanxi China Coal Pingshuo Xiaohuigou Coal Industry Co., Ltd, RMB455 million, and the interests of the proceeds, RMB281 million (in total RMB736 million), completely from the payment of the price for mining rights of Xiaohuigou Coal Mine to the construction of Xiaohuigou Coal Mine. The aforesaid resolution was approved at the first extraordinary general meeting of the Company for 2017 held on 19 December.

   For details, please refer to the announcements of the Company published on the websites of SSE, HKSE and the Company on 23 August 2017 and 19 December 2017.

7. **Matter in relation to approval of Muduchaideng Coal Mine and Nalin River No.2 Coal Mine Projects**

   On 17 October 2017, the Company disclosed the "Reply by NDRC on Approval of Muduchaideng Mine and Coal Preparation Projects at Hujierte Mining Area, Inner Mongolia" (NDRC Energy [2017] No.1796) and "Reply by NDRC on Approval of Nalin River No.2 Mine and Coal Preparation Projects at Nalin River Mining Area, Inner Mongolia" (NDRC Energy [2017] No.1797) issued by NDRC, which respectively approved the Muduchaideng Coal Mine project and Nalin River No.2 Coal Mine project.

   For details, please refer to the announcements of the Company published on the websites of SSE, HKSE and the Company on 17 October 2017.

EMPLOYEE

As at 31 December 2017, the total number of employees in the Group is 44,356 (2016: 47,113).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company is committed to improving its corporate governance level. As at 31 December 2017, the Company strictly complied with the provisions of Corporate Governance Code set out in annex 14 of Hong Kong Listing Rules and the provisions of Corporate Governance Report.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the annual results as at 31 December 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2017, the Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in annex 10 of Hong Kong Listing Rules ("Model Code"). The Company confirmed after careful inquiry that all directors and supervisors had been complying with the Model Code during the year ended 31 December 2017.

REMUNERATION OF DIRECTORS AND SUPERVISORS

For the year ended 31 December 2017, no Directors or Supervisors had agreed to waive any remuneration.

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

DIVIDENDS

On 20 March 2018, pursuant to the relevant PRC laws and regulations, the Board recommended the payment of cash dividends of RMB724,327,800 to the Shareholders, representing 30% of the net profit attributable to the equity holders of the Company for the year ended 31 December 2017, which was RMB2,414,426,000 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 RMB0.055 per share (inclusive of tax). The above proposed profit distribution plan is subject to the approval of Shareholders at the 2017 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 organizations, 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 2017 annual general meeting of the Company to be held in 2018 and for receiving the final dividend for the year ended 31 December 2017, as well as the dividend distribution date will be published separately when the date of the 2017 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 2017, which, among other things, will set out the record date and ex-rights date of dividend distribution for A Shares.

As at 31 December 2017, no arrangement was reached pursuant to which the Shareholders waived or agreed to waive their dividends.

PURCHASE, SALE OR REPURCHASE OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2017, 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).

AUDITORS

Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) and Deloitte Touche Tohmatsu were appointed as internal auditors and oversea auditor for the year end of 31 December 2017. The former has reviewed the prepared financial statements of the company in accordance with PRC GAAP and IFRS and provided suggestion without any retaining.

RELEASE OF ANNUAL REPORT ON HKEX WEBSITE

According to the provisions of Hong Kong Listing Rules on the reporting period, the Annual Report for 2017 will include all the information disclosed in the Result Announcement for 2017, and will be disclosed on the websites of the Company and HKEX on or prior to 30 April 2018.

DEFINITIONS

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

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

Yulin Olefin Project	the Acetic Acid Deep Processing & 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	Nalinh 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
Mengda Engineering Plastics Project	Mengda New Energy Engineering Plastics Project
Jingshen Railway Company	Shaanxi Jingshen Railway Company Limited
Pingshuo Company	China Coal Pingshuo Group Company Limited
China Coal Huajin Company	Shanxi China Coal Huajin Energy Company Limited
Heilongjiang Coal Chemical Group	China Coal Heilongjiang Coal Chemical Engineering (Group) Company Limited
Finance Company	China Coal Finance Co., Ltd.
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
HKSE	The Stock Exchange of Hong Kong Limited
HKSE Website	www.hkexnews.hk
SSE	the Shanghai Stock Exchange
SSE Website	www.sse.com.cn
Company Website	www.chinacoalenergy.com

Articles of Association	the articles of association passed at the inaugural meeting of the Company on 18 August 2006 and approved by the relevant state authorities, as amended and supplemented from time to time
A Share(s)	the ordinary share(s) issued to domestic investors in China with approval from CSRC,which are listed on the SSE and traded in RMB
H Share(s)	the overseas listed foreign share(s) of RMB1.00 each in the share capital of the Company, which are listed on the HKSE for subscription in Hong Kong dollars
Share(s)	the ordinary shares of the Company, including A Share(s) and H Share(s)
Shareholder(s)	the shareholder(s) of the Company, including holder(s) of A Shares and holder(s) of H Shares
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
RMB	RMB yuan

By the Board
China Coal Energy Company Limited
Chairman and executive director
Li Yanjiang

Beijing, the PRC, 20 March 2018

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

* *For identification purpose only*