中煤

CHINA COAL ENERGY COMPANY LIMITED*

中國中煤能源股份有限公司

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

(Stock Code: 01898)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

Financial highlights:

- In 2012, the Group's revenue amounted to RMB87.292 billion, representing a decrease of RMB3.573 billion or 3.9% as compared with 2011.
- In 2012, the profit attributable to equity holders of the Company amounted to RMB8.842 billion, representing a decrease of RMB1.113 billion or 11.2% as compared with 2011.
- Basic earnings per share was RMB0.67, representing a decrease of RMB0.08 as compared with 2011.
- In 2012, EBIDTA amounted to RMB17.504 billion, representing a decrease of RMB1.454 billion or 7.7% as compared with 2011.
- The Board recommended the payment of final dividends of RMB0.210 per share (inclusive of tax) for the year 2012, which is subject to the approval by the Company's shareholders at the annual general meeting to be held on 13 May 2013.

The board of directors of China Coal Energy Company Limited is pleased to announce the audited annual results of the Company and its subsidiaries for the year ended 31 December 2012 prepared in accordance with the International Financial Reporting Standards ("IFRS"):

A. SELECTED CONSOLIDATED FINANCIAL INFORMATION PREPARED IN ACCORDANCE WITH IFRS

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Year ended 31 December 2012 RMB'000	2011 Restated RMB'000
Revenue	4	**87,291,670**	90,864,746
Cost of sales			
Materials		**(37,265,549)**	(41,320,446)
Staff costs		**(4,453,430)**	(4,116,931)
Depreciation and amortisation		**(4,260,274)**	(4,131,466)
Repair and maintenance		**(1,081,403)**	(1,118,832)
Transportation costs		**(11,445,668)**	(9,716,470)
Sales taxes and surcharges		**(1,371,631)**	(1,375,731)
Others		**(10,110,690)**	(10,271,758)
Cost of sales		**(69,988,645)**	(72,051,634)
Gross profit		**17,303,025**	18,813,112
Selling, general and administrative expenses		**(4,586,423)**	(4,756,699)
Other (loss)/income		**(31,680)**	10,684
Other gains, net		**122,304**	151,675
Profit from operations		**12,807,226**	14,218,772
Finance income	5	**806,638**	622,451
Finance costs	5	**(1,060,642)**	(820,150)
Share of profits of associates and jointly controlled entities		**235,865**	294,280
Profit before income tax		**12,789,087**	14,315,353
Income tax expense	6	**(3,214,363)**	(3,461,548)
Profit for the year		**9,574,724**	10,853,805
Profit attributable to:			
Equity holders of the Company		**8,842,210**	9,955,333
Non-controlling interests		**732,514**	898,472
		9,574,724	10,853,805
Basic and diluted earnings per share for the profit attributable to the equity holders of the Company (RMB)	7	**0.67**	0.75
Dividends distributed	8	**2,851,145**	2,072,693
Dividends proposed after the balance sheet date attributable to all shareholders of the Company	8	**2,785,296**	2,851,145

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

	Year ended 31 December	
	2012	2011
		Restated
	RMB'000	*RMB'000*
Profit for the year	**9,574,724**	10,853,805
Other comprehensive income/(loss):		
Fair value changes on available-for-sale financial assets, net of tax	**1,114**	(1,215)
Currency translation differences	**3,211**	(6,647)
Other comprehensive income/(loss) for the year, net of tax	**4,325**	(7,862)
Total comprehensive income for the year	**9,579,049**	10,845,943
Total comprehensive income attributable to:		
Equity holders of the Company	**8,846,535**	9,947,471
Non-controlling interests	**732,514**	898,472
	9,579,049	10,845,943

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012

	Note	As at 31 December 2012 RMB'000	As at 31 December 2011 Restated RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**85,510,277**	60,823,320
Investment properties		**45,973**	29,912
Land use rights		**3,528,506**	2,818,890
Mining and exploration rights		**32,478,629**	28,972,583
Intangible assets		**126,677**	110,402
Investments in associates		**8,484,033**	7,058,652
Investments in jointly controlled entities		**378,506**	578,015
Available-for-sale financial assets		**1,687,917**	1,221,995
Deferred income tax assets		**377,626**	202,046
Long-term receivables		**137,304**	114,713
Other non-current assets		**3,550,900**	3,048,458
		136,306,348	104,978,986
Current assets			
Inventories		**6,697,169**	7,315,478
Trade and notes receivables	9	**11,393,750**	8,013,544
Prepayments and other receivables		**6,366,984**	6,468,265
Restricted bank deposits		**2,229,495**	3,173,248
Term deposits with initial terms of over three months		**9,471,440**	11,295,045
Cash and cash equivalents		**13,222,515**	20,907,330
		49,381,353	57,172,910
TOTAL ASSETS		**185,687,701**	162,151,896
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		**13,258,663**	13,258,663
Reserves	10	**43,316,190**	44,615,826
Retained earnings	10		
– Dividends proposed after the balance sheet date		**2,785,296**	2,851,145
– Others		**27,366,244**	21,799,499
		86,726,393	82,525,133
Non-controlling interests		**14,694,025**	14,348,509
Total equity		**101,420,418**	96,873,642

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012

	Note	**As at 31 December 2012**	As at 31 December 2011 Restated
		RMB'000	*RMB'000*
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**20,170,908**	11,456,013
Long-term bonds		**19,906,414**	14,955,000
Deferred income tax liabilities		**7,444,881**	7,151,497
Deferred revenue		**392,987**	349,309
Provision for employee benefits		**144,692**	169,376
Provision for close down, restoration and environmental costs		**1,137,265**	1,086,384
Other long-term liabilities		**944,028**	286,470
		50,141,175	35,454,049
Current liabilities			
Trade and notes payables	11	**16,101,537**	11,002,988
Accruals, advances and other payables		**9,261,601**	12,052,529
Taxes payable		**2,184,553**	3,678,850
Short-term borrowings		**5,130,346**	2,254,696
Current portion of long-term borrowings		**1,411,010**	806,879
Current portion of provision for close down, restoration and environmental costs		**37,061**	28,263
		34,126,108	29,824,205
Total liabilities		**84,267,283**	65,278,254
TOTAL EQUITY AND LIABILITIES		**185,687,701**	162,151,896
NET CURRENT ASSETS		**15,255,245**	27,348,705
TOTAL ASSETS LESS CURRENT LIABILITIES		**151,561,593**	132,327,691

B. NOTES TO THE FINANCIAL INFORMATION

1 ORGANISATION

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").

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.

2 BASIS OF PRESENTATION

(a) Acquisition of China Coal Sales and Transportation Company Limited ("China Coal Sales and Transportation Company") in 2012

In order to further enhance coal sales networks of the Group, on 27 March 2012, the Company entered into a share purchase agreement with China Coal Group, pursuant to which 100% equity interest in China Coal Sales and Transportation Company, was transferred to the Company for a consideration of RMB206,581,200. The acquisition date of this transaction is 30 June 2012, when the consideration was paid and control was obtained. China Coal Sales and Transportation Company is principally engaged in the trading of coal product in China.

As China Coal Group is the ultimate holding company of both the Company and China Coal Sales and Transportation Company, this acquisition is a transaction under common control, and the Group had accounted for it in a manner similar to a uniting of interests. Comparative information has been restated as if the operations of China Coal Sales and Transportation Company had been under the control of the Company since the beginning of the earliest period presented.

(b) Acquisition of Shanxi Zhongxin Tangshangou Coal Industry Company Limited ("Tangshangou") in 2012.

In order to increase the Group's coal resources, on 27 March 2012, the Company entered into a share purchase agreement with China Coal Group, pursuant to which 80% equity interest in Tangshangou, was transferred to the Company for a consideration of RMB1,112,609,000. The acquisition date of this transaction is 31 December 2012, when the consideration was fully paid and control was obtained. Tangshangou is principally engaged in the coal mining activities in China.

As China Coal Group is the ultimate holding company of both the Company and Tangshangou, this acquisition is a transaction under common control, and the Group had accounted for it in a manner similar to a uniting of interests. Comparative information has been restated as if the operations of Tangshangou had been under the control of the Company since the beginning of the earliest period presented.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value as disclosed in the accounting policies below.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2012.

- **IFRS 7 (Amendment) 'Disclosures – Transfers of financial assets'**

  The amendment introduces new disclosure requirement on transfers of financial assets. Disclosure is required by class of asset of the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. The gain or loss on the transferred assets and any retained interest in those assets must be given. In addition, other disclosures must enable users to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. The disclosures must be presented by type of ongoing involvement. For example, the retained exposure could be presented by type of financial instrument (such as guarantees, call or put options), or by type of transfer (such as factoring of receivables, securitisations or securities lending). The amendment is applicable to annual periods beginning on or after 1 July 2011 with early adoption permitted.

  The Group has adopted this amendment from 1 January 2012 and the adoption does not have an material impact on the Group's financial statements.

  The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2012, but are not currently relevant for the Group.

- **IFRS 1 (Amendment) 'First time adoption, on hyperinflation and fixed dates'**

- **IAS 12 (Amendment), 'Income tax, on deferred tax'**

4 SEGMENT INFORMATION

1) General information

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

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

The Group's reportable segments are entities or group of entities that offer different products and services. The following reportable segments are presented in a manner consistent with the way in which information is reported internally to the Group's CODM for the purpose of 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, except for a few entities dealing with a variety of operations. Financial information of these entities has been separately presented as discrete segment information for CODM's review.

b. Reportable segments

The Group's reportable segments are coal, coke and coal-chemical product and mining machinery:

- Coal – Production and sales of coal;
- Coke and coal-chemical products – Production and sales of coke and coal-chemical products;
- Mining machinery – Manufacturing and sales of mining machinery.

2) Information about reportable segment profit, assets and liabilities

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

The measurement of profit or loss, assets and liabilities of the operating segments are the same as those described in the summary of significant accounting policies. 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 or deferred income tax liabilities.

b. *Reportable segments' profit, assets and liabilities*

	For the year ended and as at 31 December 2012						
	Coal	**Coke and coal-chemical product**	**Machinery**	**Others** *(note (a))*	**Non operating segment**	**Inter-segment Elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue							
Total Revenue	**71,995,226**	**4,184,830**	**8,918,899**	**3,928,746**	**–**	**(1,736,031)**	**87,291,670**
Inter-segment revenue	**(212,010)**	**–**	**(1,034,239)**	**(489,782)**	**–**	**1,736,031**	**–**
Revenue from external customers	**71,783,216**	**4,184,830**	**7,884,660**	**3,438,964**	**–**	**–**	**87,291,670**
Profit/(Loss) from operations	**12,796,817**	**(353,424)**	**667,375**	**(16,871)**	**(235,421)**	**(51,250)**	**12,807,226**
Profit/(Loss) before income tax	**12,649,540**	**(446,713)**	**653,202**	**(66,343)**	**50,651**	**(51,250)**	**12,789,087**
Interest income	**233,169**	**63,449**	**10,587**	**5,774**	**962,055**	**(468,396)**	**806,638**
Interest expense	**(493,030)**	**(155,734)**	**(33,224)**	**(54,105)**	**(851,122)**	**468,396**	**(1,118,819)**
Depreciation and amortisation	**(3,958,471)**	**(173,509)**	**(143,881)**	**(405,162)**	**(16,171)**	**–**	**(4,697,194)**
Share of profits/(losses) of associates and jointly controlled entities	**47,125**	**(4,283)**	**10,954**	**–**	**182,069**	**–**	**235,865**
Income tax (expense)/credit	**(3,055,150)**	**665**	**(108,265)**	**(48,021)**	**(3,592)**	**–**	**(3,214,363)**
Other material non-cash items							
Provision for impairment of property, plant and equipment	**(30,104)**	**(43,000)**	**–**	**–**	**–**	**–**	**(73,104)**
Provision for impairment of other assets	**(52,574)**	**(2,628)**	**(39,534)**	**(66,128)**	**–**	**–**	**(160,864)**
Segment assets and liabilities							
Total assets	**89,980,877**	**24,014,970**	**13,958,356**	**8,004,666**	**53,685,199**	**(3,956,367)**	**185,687,701**
Include: investment in associates and jointly controlled entities	**414,034**	**581,432**	**78,316**	**–**	**7,788,757**	**–**	**8,862,539**
Expenditures for non-current assets	**18,633,417**	**12,112,439**	**1,376,956**	**451,864**	**333,608**	**–**	**32,908,284**
Total liabilities	**29,963,400**	**7,357,638**	**5,440,008**	**4,751,442**	**39,959,442**	**(3,204,647)**	**84,267,283**

	For the year ended and as at 31 December 2011 (Restated)						
	Coal	**Coke and coal-chemical product**	**Machinery**	**Others** *(note (a))*	**Non operating segment**	**Inter-segment Elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue							
Total Revenue	74,374,330	5,300,770	8,788,100	4,511,129	–	(2,109,583)	90,864,746
Inter-segment revenue	(336,040)	–	(1,055,130)	(718,413)	–	2,109,583	–
Revenue from external customers	74,038,290	5,300,770	7,732,970	3,792,716	–	–	90,864,746
Profit/(Loss) from operations	14,008,760	(74,634)	584,964	6,944	(194,847)	(112,415)	14,218,772
Profit/(Loss) before income tax	13,880,676	(79,096)	533,401	(80,602)	173,389	(112,415)	14,315,353
Interest income	86,483	65,651	8,961	4,873	886,631	(430,148)	622,451
Interest expense	(288,087)	(122,949)	(69,615)	(54,410)	(662,275)	430,148	(767,188)
Depreciation and amortisation	(4,057,755)	(188,876)	(141,578)	(341,843)	(8,716)	–	(4,738,768)
Share of profits of associates and jointly controlled entities	94,793	40,389	12,046	–	147,052	–	294,280
Income tax (expense)/credit	(3,359,483)	7,681	(87,711)	(21,293)	(742)	–	(3,461,548)
Other material non-cash items							
Provision for impairment of property, plant and equipment	(37,343)	(972)	–	–	–	–	(38,315)
Provision for impairment of other assets	(44,621)	(43)	(1,452)	(18,112)	(14,924)	–	(79,152)
Segment assets and liabilities							
Total assets	79,936,007	11,340,490	11,284,526	6,235,177	56,856,157	(3,500,461)	162,151,896
Include: investment in associates and jointly controlled entities	543,204	599,299	63,954	–	6,430,210	–	7,636,667
Expenditures for non-current assets	12,522,850	5,087,513	1,490,498	908,312	10,035	–	20,019,208
Total liabilities	17,531,414	1,023,838	4,646,256	4,397,768	40,933,133	(3,254,155)	65,278,254

note:

(a) Others segment comprises of the five operating segments of the Group with the revenue below the quantitative thresholds. Those segments include two aluminium factories, three power generating plants, an equipment purchase agency, a tendering service provider and four manufacturing enterprises. None of those segments has ever met any of the quantitative thresholds for determining reportable segments.

3) Geographical information

Analysis of revenue

	Year ended 31 December	
	2012	2011
		Restated
	RMB'000	*RMB'000*
Domestic markets	**86,639,419**	89,858,284
Asia Pacific markets	**652,251**	1,000,903
Other overseas markets	**–**	5,559
	87,291,670	90,864,746

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

Analysis of non-current assets

	31 December 2012	31 December 2011
		Restated
	RMB'000	*RMB'000*
Domestic markets	**134,087,597**	103,397,212
Asia Pacific markets	**–**	4,964
Other overseas markets	**15,904**	38,056
	134,103,501	103,440,232

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

4) Information about major customers

Revenue from the top five customers of the Group for the year ended 31 December 2012 represents approximately 20% of the Group's total revenue (2011: 17%).

5 FINANCE INCOME AND COSTS

	2012	2011
		Restated
	RMB'000	*RMB'000*
Interest expense:		
– bank borrowings	**1,261,409**	744,214
– provisions: unwinding of discount	**44,474**	50,969
– long-term bonds	**965,279**	331,188
Other incidental borrowing costs and charges	**13,272**	7,394
Net foreign exchange (gains)/losses	**(71,449)**	45,568
Finance costs	**2,212,985**	1,179,333
Less: amounts capitalised on qualifying assets	**(1,152,343)**	(359,183)
Total finance costs	**1,060,642**	820,150
Finance income:		
– interest income on bank deposits	**767,622**	571,811
– interest income on loans receivable	**39,016**	50,640
Total finance income	**806,638**	622,451
Finance costs, net	**254,004**	197,699

note:

(a) Finance costs capitalised on qualifying assets are related to funds borrowed for the purpose of obtaining a qualifying asset. Capitalisation rates on such borrowings were as follows:

	2012	2011
Capitalisation rate used to determine the amount of finance costs eligible for capitalisation	**5.77%-6.79%**	4.16%-6.98%

6 INCOME TAX EXPENSE

	2012	2011
		Restated
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax *(note (a))*	**3,090,589**	3,996,304
Deferred income tax	**123,774**	(534,756)
	3,214,363	3,461,548

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 2012 and 2011 is 25% of the assessable income of each of the companies now comprising the Group, determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries which are taxed at preferential tax rates 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:

	2012	2011
		Restated
	RMB'000	*RMB'000*
Profit before income tax	**12,789,087**	14,315,353
Tax calculated at applicable tax rates	**3,197,272**	3,578,838
Preferential tax rates on the income of certain subsidiaries	**(60,403)**	(69,352)
Income not subject to taxation	**(74,173)**	(81,213)
Expenses not deductible for taxation purposes	**83,050**	46,109
Utilisation of previously unrecognised tax losses	**(437)**	(374)
Tax losses for which no deferred income tax asset has been recognised	**160,419**	85,622
Additional expenses allowable for tax deduction	**(91,365)**	(98,082)
Income tax expense	**3,214,363**	3,461,548

7 EARNINGS PER SHARE

Basic earnings per share are 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.

As the Company had no dilutive instruments for the years ended 31 December 2012 and 2011, diluted earnings per share are presented equals to basic earnings per share.

8 DIVIDENDS

	2012	2011
	RMB'000	*RMB'000*
Dividends recorded:		
– final dividends for 2010, paid *(note (a))*	**–**	2,072,693
– final dividends for 2011, paid *(note (b))*	**2,851,145**	–

	2012	2011
	RMB'000	*RMB'000*
Dividends proposed after the balance sheet date:		
– final dividend for 2011 *(note (b))*	**–**	2,851,145
– final dividend for 2012 *(note (c))*	**2,785,296**	–

notes:

(a) The Board of Directors, in a meeting held on 22 March 2011, proposed to distribute a final dividend for 2010 to equity holders of the Company of RMB2,072,693,000 (RMB0.156 per share), based on total number of shares which are in issue as at 31 December 2010. Such dividend distribution was approved by the shareholders' meeting held on 27 May 2011 and had been fully paid to shareholders in June 2011.

(b) The Board of Directors, in a meeting held on 27 March 2012, proposed to distribute a final dividend for 2011 to equity holders of the Company of RMB2,851,145,000 (RMB0.215 per share), based on total number of shares which are in issue as at 31 December 2011. Such dividend distribution was approved by the shareholders' meeting held on 25 May 2012 and has been fully paid to shareholders in June and July 2012.

(c) The Board of Directors, in a meeting held on 15 March 2013, proposed to distribute a final dividend for 2012 to equity holders of the Company of RMB2,785,296,000 (RMB0.210 per share), based on total number of shares which are in issue as at 31 December 2012. Such dividend distribution is subject to the approval of shareholders' meeting, and is not reflected in these financial statements.

9 TRADE AND NOTES RECEIVABLES

	31 December 2012	31 December 2011
		Restated
	RMB'000	*RMB'000*
Trade receivables, net *(note (a))*	**8,174,843**	5,585,231
Notes receivables *(note (b))*	**3,218,907**	2,428,313
	11,393,750	8,013,544

notes:

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

	31 December 2012	31 December 2011
		Restated
	RMB'000	*RMB'000*
Within 6 months	**7,025,354**	4,700,288
6 months – 1 year	**735,979**	528,726
1 – 2 years	**388,223**	274,415
2 – 3 years	**116,579**	158,945
Over 3 years	**242,860**	220,140
Trade receivables, gross	**8,508,995**	5,882,514
Less: Impairment of receivables	**(334,152)**	(297,283)
Trade receivables, net	**8,174,843**	5,585,231

Trade receivables for sale of coal, coking and other products are with credit terms of six months, while those for sale of machineries generally are with longer credit terms. There are no significant trade receivables that are past due but are not impaired.

(b) Notes receivable are principally bank accepted bills of exchange with maturity of less than one year (2011: less than one year).

10 RESERVES

	Group								
	Capital reserve	Statutory reserve funds	Future development fund	Safety fund	Transformation and environmental restoration fund	Translation reserve	Other reserves	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2011 (as previously reported)	30,573,812	1,853,357	121,795	1,370,904	1,664,056	(27,687)	7,261,444	17,972,222	60,789,903
Acquisition of subsidiaries under common control	–	–	38,564	20,968	43,505	–	575,409	149,336	827,782
Balance at 1 January 2011 (restated)	30,573,812	1,853,357	160,359	1,391,872	1,707,561	(27,687)	7,836,853	18,121,558	61,617,685
Profit for the year	–	–	–	–	–	–	–	9,955,333	9,955,333
Other comprehensive loss	–	–	–	–	–	(6,647)	(1,215)	–	(7,862)
Appropriations	–	751,974	38,691	(380,345)	681,235	–	–	(1,091,555)	–
Share of change in reserves of associates and jointly controlled entities	–	–	–	–	–	–	(3,271)	–	(3,271)
Dividends *(Note 8)*	–	–	–	–	–	–	–	(2,072,693)	(2,072,693)
Profit distributed to original shareholder prior to common control acquisition	–	–	–	–	–	–	–	(212,435)	(212,435)
Attributable to change of a subsidiary to an associate	–	49,564	(10,182)	(100,039)	(48,609)	–	158,830	(49,564)	–
Restructure of a subsidiary before acquisition under common control	–	10,953	–	–	–	–	–	–	10,953
Others	–	–	–	–	–	–	(21,240)	–	(21,240)
Balance at 31 December 2011 (restated)	30,573,812	2,665,848	188,868	911,488	2,340,187	(34,334)	7,969,957	24,650,644	69,266,470

	Group								
	Capital reserve	Statutory reserve funds	Future development fund	Safety fund	Transformation and environmental restoration fund	Translation reserve	Other reserves	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit for the year	–	–	–	–	–	–	–	8,842,210	8,842,210
Other comprehensive income	–	–	–	–	–	3,211	1,114	–	4,325
Appropriations	–	1,087,617	(134,814)	(894,039)	131,363	–	–	(190,127)	–
Acquisition of subsidiaries under common control	–	–	–	–	–	–	(1,246,896)	(72,294)	(1,319,190)
– Including: the subsidiary's transfer of retained earnings to share capital	–	–	–	–	–	–	72,294	(72,294)	–
Purchase of equity from a non-controlling shareholder	–	–	–	–	–	–	(363,123)	–	(363,123)
Share of change in reserves of associates	–	–	–	–	–	–	103,185	(116,193)	(13,008)
Attributable to change of a jointly controlled entity to a subsidiary	–	–	93	2,018	2,526	–	(4,637)	–	–
Contributions	12,746	–	–	–	–	–	–	–	12,746
Dividends *(Note 8)*	–	–	–	–	–	–	–	(2,851,145)	(2,851,145)
Profit distributed to original shareholder prior to common control acquisition	–	–	–	–	–	–	–	(111,555)	(111,555)
Balance at 31 December 2012	30,586,558	3,753,465	54,147	19,467	2,474,076	(31,123)	6,459,600	30,151,540	73,467,730

notes:

(a) Statutory reserve funds

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to allocate 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. 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.

For the year ended 31 December 2012, the Company appropriated RMB1,087,617,362 (2011: RMB751,974,000) to the statutory surplus reserve fund, representing 10% of the Company's profit after tax for the year ended 31 December 2012, as determined in accordance with the PRC GAAP.

(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 RMB15 (2011: 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 is transferred from future development fund to retained earnings.

(c) Safety fund

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety of the PRC, the coal enterprise of the group is required to set aside an amount to a safety fund at RMB6 to RMB30 per ton of raw coal mined. The manufacturing enterprise of the group to set aside a certain percentage (less than RMB10 million: 2%, from RMB10 million to RMB100 million: 1%, from RMB100 million to RMB1 billion: 0.2%, from RMB1 billion to RMB5 billion: 0.1%, greater than RMB5 billion: 0.05%) of the previous year's operating revenue to a safety fund since 1 January, 2012. The fund can be used for improvements of safety at the mines, and is not available for distribution to shareholders. Upon incurring qualifying safety expenditure, an equivalent amount is transferred from safety fund to retained earnings.

.

(d) Transformation and environmental restoration fund

Pursuant to two regulations issued by the Shanxi municipal government on 15 November 2007, both of which are 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 (2011: 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 is transferred from transformation and environmental restoration fund to retained earnings.

(e) 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 (2011: 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 is transferred from sustainable development fund to retained earnings.

11 TRADE AND NOTES PAYABLES

	31 December 2012	31 December 2011
		Restated
	RMB'000	*RMB'000*
Trade payables *(note (a))*	**14,628,126**	10,242,270
Notes payable	**1,473,411**	760,718
	16,101,537	11,002,988

note:

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

	31 December 2012	31 December 2011
		Restated
	RMB'000	*RMB'000*
Less than 1 year	**13,003,636**	9,292,277
1 – 2 years	**1,126,700**	673,096
2 – 3 years	**333,837**	155,168
Over 3 years	**163,953**	121,729
	14,628,126	10,242,270

12 COMMITMENTS

(a) Capital commitments

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

	2012	2011
		Restated
	RMB'000	*RMB'000*
Property, plant and equipment	**18,725,052**	10,816,030
Others	**379,316**	253,350
	19,104,368	11,069,380

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

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

	2012	2011
	RMB'000	*RMB'000*
Land and buildings:		
– Within 1 year	**126,211**	76,727
– From 1 year to 5 years	**314,828**	199,683
– Over 5 years	**862,680**	87,032
	1,303,719	363,442

(c) Investment commitments

The Company and China Coal Group signed an investment agreement on 21 August 2012 and agreed to jointly set up China Coal Energy Finance Company Limited, subject to the approval of China Banking Regulatory Commission. As of 31 December 2012, the Company is committed to invest RMB 2,730 million in this company.

The Company and China Railway Investment Corporation along with other 14 companies signed a founders' agreement on 16 August 2012 and agreed to jointly set up Mengxi-Huazhong Railway Compa ny Limited. Up to 31 December 2012, the Company paid the first investment of RMB 100 million and is committed to further invest RMB5,300 million in this company in future years.

CHAIRMAN'S STATEMENT

Dear Shareholders,

The global economy in 2012 remained in the doldrums, witnessing sluggish recoveries of the developed economies and a pervasive slowdown in emerging markets coupled with noticeably declined international trade growths and volatilities in international financial markets. Addressing the increasingly challenging international economic environment, the Chinese government adhered to the keynote of "Seeking Progress in Stability" to expedite the economic restructuring and stabilising national economy with steady economic and social progresses. The balance between domestic coal supply and demand was changed due to a range of factors such as the drop in international coal prices and a slower growth in coal demand together with the slowing domestic economic momentum, resulting in the plummeting spot coal prices and relatively great challenges to coal enterprises. Proactively responding to the market impacts, China Coal Energy strived to expand its production and sales while stepping up the restructuring with a focus on lowering the cost and increasing the efficiency, and achieved desirable business results.

During the reporting period, the coal subsidiaries under the Company tapped on the strengths in the economies of scale and integrated production, which has overcome the difficulties in complex geological conditions of coal mining areas, demanding coordination between mining exploration and mining stripping operations and the increasing challenge in the sales market. Efforts were made in optimising the mining scheme, strengthening production management for higher unit output and unit roadheading level, refining coal washing process and product mix and enhancing coal quality management. As a result, 145.37 million tonnes of raw coal and 114.4 million tonnes of commercial coal were produced in the 2012, representing a year-on-year growth of 11.3% and 9.7% respectively. To carry forward its "environment, quality and responsibility" endeavours, the Company commenced in detail the three-year programme of "implementing the accountability system for the responsible unit to create a safety-assured enterprise", focusing on fundamental security and strengthening on-site management to push ahead with safety activities. The Company's major coal mines in operation reached the safety and quality standards, more than 60% of which were named the "National Safety and Quality Standardised Coal Mines", demonstrating the stability of production safety of the Company.

Capitalising on its strengths in integrated sales and collaboration, the Company took initiatives to build up the integrated marketing network and improved the coal sales management system constantly for centralising the business, standardising the management and high efficiency in operation. Flexible marketing strategies were adopted on the market-oriented and customer-centred basis, while the coordination between production and sales was improved to strive to increase the railway transportation capability and improve the customer services, leading to another record high of coal sales. Coal sales volume for the year reached 149.54 million tonnes, representing a year-on-year increase of 7.9%. The Company achieved coal transportation of 92.70 million tonnes through railways, further improving the product profitability. Responding actively to market changes, the Company secured long-term major customers while increasing the spot coal sales timely. Spot sales of the self-produced coal accounted for 52.5%, representing an increase of 4.1 percentage points year-on-year.

Leveraging on comprehensive budget management, the Company detailed out the cost responsibilities of objectives and strengthened the refined management, forging ahead the cost-efficiency campaign for continuous management improvements. By improving production process, optimising system design and lifting equipment capacity, the Company strived to increase production efficiency and reduce production costs. Stringent controls were exercised on non-productive expenses with strict assessment. The unit cost of sales of self-produced commercial coal for 2012 was RMB332.82 per tonne, representing a year-on-year decrease of 2.9%. The revenue amounted to RMB87.292 billion, representing a year-on-year decrease of 3.9%. Due to the plummeting spot coal prices, profit before tax amounted to RMB12.789 billion, representing a year-on-year decrease of 10.7%. Profit attributable to equity holders of the Company was RMB8.842 billion, representing a year-on-year decrease of 11.2%. Basic earnings per share was RMB0.67, representing a year-on-year decrease of RMB0.08.

The Company pushed forth preliminary preparation of projects to speed up the construction of major projects. The new bases were in rapid progress of construction and the newly completed coal mines commenced production consecutively. Pingshuo East Open Pit Mine which produced 7.63 million tonnes of raw coal in 2012, will be expected to produce 12 million tonnes of raw coal in 2013. Wangjialing Coal Mine will be completed and commence operation in 2013, increasing coal production capacity by 6 million tonnes per year. Xiaohuigou Coal Mine which has been granted the mining permit, shall be expected to commence construction in 2013. The coal mine projects in Inner Mongolia-Shaanxi were proceeding smoothly. The preliminary preparations for projects were well implemented. Shalajida Coal Mine in Ordos, Yilan Coal Mine No. 3 in Heilongjiang and the 2x350MW power plant of Shanghai Energy Company obtained governmental approvals on preliminary preparations. The coal conversion projects were in rapid progress. The coke oven gas produced fertiliser project in Lingshi of Shanxi successfully completed the commissioning test run at the end of 2012. The Phase 1 of Ordos Tuke Fertiliser Project completed the installation of major equipment, and will be undergoing commissioning test run by the end of 2013. The Pingshuo Inferior Coal Comprehensive Utilisation Project commenced construction. Through the successful acquisition of Yuquan Coal Mine in Yangquan, Shanxi province, the Company acquired 43 million tonnes of coal resources. As at the end of 2012, the Company had coal resources reserve of 19.51 billion tonnes in accordance with the mining standards of the PRC.

To actively forge a financial platform for its industrial development, the Company speeded up the establishment of the Finance Company. The relevant application materials have been submitted to China Banking Regulatory Committee for approval, and the Finance Company shall be expected to be established in 2013. The Company completed the quota registration for the second tranche of RMB15 billion medium-term notes and the issuance of the first installment of medium-term notes of RMB5 billion, leveraging on long-term financing at low costs to ensure the funding needs for development. Investment projects were streamlined according to market changes in a well-paced manner, thus reducing investment risks with less investment costs. Under a retrenchment strategy for coking projects, accumulated backward coking capacity of 1,300,000 tonnes was eliminated, which effectively reduced the loss from coking business. The equity acquisitions of Tang Shan Gou Company and Sales and Transportation Company were completed, introducing new growth drivers to the Company.

The Company pressed forward its innovation-driven endeavours and heightened the supporting and guiding role of technologies. Implementing its integrated and leading technological innovation strategy, the Company undertook 17 projects and tasks of the national important science and technology programmes and carried out 43 corporate major technological projects. Through the co-establishment of a state-level collaborative innovation centre with China University of Mining and Technology, the cooperation with production and academic and research institutions was further improved in terms of extent and quality. The Company obtained 1 national technological improvement award, 14 provincial or ministry-level technological improvement awards and 186 patents, demonstrating a further improvement in its technological innovation capability. To advance the construction of a "Green China Coal" under a well-established framework, the Company formulated the green standards and appraisal systems for its coal and coal mining equipment businesses. The subsidiaries were honoured with a number of awards including "China Baosteel Environmental Friendly Prize", "National Pioneering Group of Energy Saving" and "National Outstanding Unit of Recycling Economy".

Looking into 2013, amidst the mixed and volatile global economic situation, the slow-growth pattern will continue as the world economy has steered into an in-depth correction cycle from the pre-crisis fast growth. China is at an important strategic phase for advancing its industrialisation, informatisation, urbanisation and agricultural modernisation, and shall be expected to maintain a sound economic momentum to fuel the growing coal demand. However, due to the impact from the severe and complicated situation domestically and internationally, the instabilities and uncertainties in the economic operation will exert a notable influence on the coal industry. The Company envisages that the domestic coal supply and demand in China will maintain a slow growth in 2013 with a relatively less tight. Chinese government will continue to strengthen energy security by encouraging the construction of large-scale coal bases and conglomerates, which are favourable for coal industrial upgrading and faster development of large-scale coal enterprises.

In 2013, China Coal Energy will follow its development strategy to speed up the industrial layout and restructuring. The Company will leverage on its resource concentration pattern so as to create new edge by formulating scientific landscape, leverage on its pattern of in industrial agglomeration so as to create new edge from economies of scale, leverage on its pattern of industrial cycle so as to create new edge from transformation and upgrading, leverage on its pattern of industrial value chain so as to create new edge in operation of synergy, leverage on its pattern of integrated innovation so as to create new edge in industrial technologies. Focusing on its annual production and operation targets, the Company will organise coal production in a scientific manner, enhance the coordination among production, transportation and sales, continue to improve its safety assurance ability, strengthen cost control and speed up the construction of projects. Industrial reform and management enhancements will be pressed ahead, striving to increase its raw coal production at above 5% in 2013 and control the year-on-year increase of the unit sales costs of self-produced commercial coal at no more than 5% and create new values for our Shareholders.

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 IFRS.

I. Overview

In 2012, in face of adverse conditions, namely the slack in the growth of market demand and a substantial fall in coal price, the Company actively responded to the impacts of the market and achieved satisfactory operating results by making every effort to expand its scale of production and sale, optimise its product structure and adopt stringent costs control measures. For the year ended 31 December 2012, the Group's total revenue (net of inter-segmental sales) amounted to RMB87.292 billion, representing a year-on-year decrease of 3.9%; costs of sales amounted to RMB69.989 billion, representing a year-on-year decrease of 2.9%; profit before income tax amounted to RMB12.789 billion, representing a year-on-year decrease of 10.7%; profit attributable to equity holders of the Company amounted to RMB8.842 billion, representing a year-on-year decrease of 11.2%; net cash generated from operating activities per share was RMB0.82, representing a year-on-year decrease of RMB0.28; and basic earnings per share was RMB0.67, representing a year-on-year decrease of RMB0.08.

Unit: RMB100 million

	For the year ended 31 December 2012	For the year ended 31 December 2011 (restated)	Increase/decrease: Increase/ decrease in amount	Increase/decrease: Increase decrease/ (%)
Revenue	872.92	908.65	-35.73	-3.9
Profit before income tax	127.89	143.15	-15.26	-10.7
EBIDTA	175.04	189.58	-14.54	-7.7
Profit attributable to equity holders of the Company	88.42	99.55	-11.13	-11.2
Net cash generated from operating activities	108.87	145.47	-36.60	-25.2

As at 31 December 2012, the gearing ratio (total interest-bearing debts/(total interest-bearing debts + equity)) of the Group was 31.5%, representing an increase of 8.2 percentage points from the beginning of the year.

Unit: RMB100 million

	As at 31 December 2012	As at 31 December 2011 (restated)	Increase/decrease: Increase/ decrease in amount	Increase/decrease: Increase/ decrease (%)
Assets	1,856.87	1,621.52	235.35	14.5
Liabilities	842.67	652.78	189.89	29.1
Interest-bearing debts	466.19	294.73	171.46	58.2
Equity	1,014.20	968.74	45.46	4.7
Equity attributable to equity holders of the Company	867.26	825.25	42.01	5.1

II. Operating Results

(1) Combined Operating Results

1. Revenue

For the year ended 31 December 2012, the Group's total revenue (net of inter-segmental sales) decreased from RMB90.865 billion for the year ended 31 December 2011 to RMB87.292 billion, representing a decrease of 3.9%. In face of changing market conditions and a substantial fall in coal price, the Company actively expanded the production and sales of self-produced coal. Through adhering to the strategies of promoting sale through selling premium products and producing more coal to offset the decline in coal prices, the Company's revenue from self-produced commercial coal increased by RMB1.207 billion year-on-year. However, revenue from proprietary coal trading decreased by RMB3.566 billion year-on-year due to a substantial fall in the price of proprietary coal. In addition, revenue from coking operations diminished year-on-year due to a year-on-year decrease in the sales of the Company's self-produced coke and a year-on-year decrease in the overall sales price.

Changes in revenue net of inter-segmental sales from the Group's four operating segments of coal, coking, coal mining equipment and other operations for the year ended 31 December 2012 in comparison with the year ended 31 December 2011 are set out as follows:

Unit: RMB100 million

	Revenue net of inter-segmental sales		Increase/decrease	
	For the year ended 31 December 2012	For the year ended 31 December 2011 (restated)	Increase/ decrease in amount	Increase/ decrease (%)
Coal operations	717.83	740.38	-22.55	-3.0
Coking operations	41.85	53.01	-11.16	-21.1
Coal mining equipment operations	78.85	77.33	1.52	2.0
Other operations	34.39	37.93	-3.54	-9.3
Total	872.92	908.65	-35.73	-3.9

The proportion of revenue net of inter-segmental sales generated by each operating segment of the Group for the year ended 31 December 2012 and the year ended 31 December 2011 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 2012	For the year ended 31 December 2011 (restated)	Increase/ decrease (percentage points)
Coal operations	82.2	81.5	0.7
Coking operations	4.8	5.8	–1.0
Coal mining equipment operations	9.0	8.5	0.5
Other operations	4.0	4.2	–0.2

2. Cost of sales

For the year ended 31 December 2012, the Group's cost of sales decreased from RMB72.052 billion for the year ended 31 December 2011 to RMB69.989 billion, representing a decrease of 2.9%.

Materials costs decreased from RMB41.320 billion for the year ended 31 December 2011 to RMB37.266 billion, representing a decrease of 9.8%. The decrease was mainly attributable to a year-on-year decrease in the unit price of proprietary coal purchased by the Group and a decrease in external purchase of raw coal for washing purposes, which led to a corresponding decrease in materials costs in the coal segment. In addition, elimination of backward coke production capacity reduced the sales of self-produced coke, which led to a corresponding decrease in material costs in the coking segment.

Staff costs increased from RMB4.117 billion for the year ended 31 December 2011 to RMB4.453 billion, representing an increase of 8.2%. The increase was mainly attributable to the commencement of operation of the Group's construction-in-progress projects during the reporting period, such as Pingshuo East Open Pit Mine Project, which led to a year-on-year increase in staff number on the payroll, thus incurring higher relevant staff costs.

Depreciation and amortisation expenses increased from RMB4.131 billion for the year ended 31 December 2011 to RMB4.260 billion, representing an increase of 3.1%. The increase was mainly attributable to the transfer of the Group's construction-in-progress projects to fixed assets, and an increase in production equipment and facilities purchased for production and operation, resulting in a corresponding year-on-year increase in provision for depreciation and amortisation expenses.

Repair and maintenance costs decreased from RMB1.119 billion for the year ended 31 December 2011 to RMB1.081 billion, representing a decrease of 3.4%. The decrease was mainly attributable to the decrease in expenditure on repair and maintenance as a result of the increase in replacement of production equipment and facilities being put into operation by the Group. In addition, the Group fully enhanced equipment independent repair and maintenance through fully capitalising on its own repair and maintenance capabilities, which led to a decrease in repair and maintenance costs.

Transportation costs increased from RMB9.716 billion for the year ended 31 December 2011 to RMB11.446 billion, representing an increase of 17.8%. The increase was mainly attributable to a number of factors including the increase in the volume of the Group's coal sales, for which the Group bore the transportation costs during the reporting period, the increase in the harbour tolls levied up to RMB4/tonne since October 2011, and the increased tariff rate of cargo transport through certain railway routes since May 2012.

Sales taxes and surcharges decreased from RMB1.376 billion for the year ended 31 December 2011 to RMB1.372 billion, representing a decrease of 0.3%. The decrease was mainly attributable to the decrease in coke export, resulting in a year-on-year decrease in customs tariff of RMB91 million. Other taxes including business tax increased by RMB87 million year-on-year.

Other expenses decreased from RMB10.273 billion for the year ended 31 December 2011 to RMB10.111 billion, representing a decrease of 1.6%. The decrease was mainly attributable to a year-on-year decrease in water discharge fee for mining paid by subsidiaries of the Company during the reporting period. In addition, during the reporting period, the Company stepped up control over expenditure on small and medium engineering projects on the ground and underground, resulting in a year-on-year decrease in expenditure for ground restoration, land subsidence treatment, small and medium engineering projects.

3. Gross profit and gross profit margin

For the year ended 31 December 2012, the Group's gross profit decreased from RMB18.813 billion for the year ended 31 December 2011 to RMB17.303 billion, representing a decrease of 8.0%, and gross profit margin decreased from 20.7% for the year ended 31 December 2011 to 19.8%, representing a decrease of 0.9 percentage point.

The gross profit and gross profit margin of each operating segment of the Group for the year ended 31 December 2012 and for the year ended 31 December 2011 are as follows:

Unit: RMB100 million

	Gross profit			Gross profit margin (%)		
	For the year ended 31 December 2012	For the year ended 31 December 2011 (restated)	Increase/ decrease (%)	For the year ended 31 December 2012	For the year ended 31 December 2011 (restated)	Increase/ decrease (percentage point(s))
Coal operations	155.35	169.24	-8.2	21.6	22.8	-1.2
Self-produced commercial coal	152.38	162.39	-6.2	29.2	31.8	-2.6
Proprietary coal trading	2.70	5.67	-52.4	1.4	2.5	-1.1
Coking operations	–1.51	1.10	-237.3	–3.6	2.1	-5.7
Coal mining equipment operations	17.25	15.84	8.9	19.3	18.0	1.3
Other operations	2.46	3.09	-20.4	6.3	6.8	-0.5
Group	173.03	188.13	-8.0	19.8	20.7	-0.9

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

The Group's revenue from the coal operations 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 2012, the total revenue from coal operations of the Group decreased from RMB74.374 billion for the year ended 31 December 2011 to RMB71.995 billion, representing a decrease of 3.2%; revenue net of other inter-segmental sales decreased from RMB74.038 billion for the year ended 31 December 2011 to RMB71.783 billion, representing a decrease of 3.0%.

For the year ended 31 December 2012, revenue from sales of self-produced commercial coal increased from RMB51.109 billion for the year ended 31 December 2011 to RMB52.220 billion, representing an increase of 2.2%. After offsetting the revenue from inter-segmental sales, the revenue increased from RMB50.816 billion for the year ended 31 December 2011 to RMB52.023 billion, representing an increase of 2.4%. Revenue from sales of proprietary coal trading decreased from RMB22.860 billion for the year ended 31 December 2011 to RMB19.294 billion, representing a decrease of 15.6%. Revenue from agency services decreased from RMB54 million for the year ended 31 December 2011 to RMB48 million, representing a decrease of 11.1%.

Changes in the Group's coal sales volume and selling price for the year ended 31 December 2012 in comparison with the year ended 31 December 2011 are set out as follows:

		2012		2011 (restated)		Increase/decrease in amount		Increase/decrease	
		Sales volume (10,000 tonnes)	Selling price (RMB/tonne)	Sales volume (10,000 tonnes)	Selling price (RMB/tonne)	Sales volume (10,000 tonnes)	Selling price (RMB/tonne)	Sales volume (%)	Selling price (%)
I. Self-produced commercial coal	Total	11,112	468	10,172	500	940	-32	9.2	-6.4
	(I) Thermal coal	11,009	465	10,085	492	924	-27	9.2	-5.5
	1. Domestic sale	10,945	464	10,011	490	934	-26	9.3	-5.3
	(1) Long-term contract	5,211	452	5,157	425	54	27	1.0	6.4
	(2) Spot trading	5,734	474	4,854	558	880	-84	18.1	-15.1
	2. Export	64	742	74	795	-10	-53	-13.5	-6.7
	(1) Long-term contract	64	742	74	795	-10	-53	-13.5	-6.7
	(2) Spot trading	☆	☆	☆	☆	–	–	–	–
	(II) Coking Coal◆	103	796	87	1,382	16	-586	18.4	-42.4
	1. Domestic sale	103	796	87	1,382	16	-586	18.4	-42.4
	(1) Long-term contract	☆	☆	21	1,412	-21	–	-100.0	–
	(2) Spot trading	103	796	66	1,373	37	-577	56.1	-42.0
	2. Export	☆	☆	☆	☆	–	–	–	–
II. Proprietary trading	Total	3,364	574	3,317	689	47	-115	1.4	-16.7
	(I) Domestic resale	2,941	574	2,869	698	72	-124	2.5	-17.8
	(II) Import trading	415	549	443	614	-28	-65	-6.3	-10.6
	(III) Transshipment trading	5	1,056	☆	☆	5	–	–	–
	(IV) Self-operated exports	3*	3,115	5*	2,529	-2	586	-40.0	23.2
III. Import and export and domestic agency★	Total	478	10	368	15	110	-5	29.9	-33.3
	(I) Import agency	133	8	84	3	49	5	58.3	166.7
	(II) Export agency	225	16	284	18	-59	-2	-20.8	-11.1
	(III) Domestic agency	120	1	☆	☆	120	–	–	–

☆ : N/A

◆: Huajin Coking Coal Company ceased to be consolidated into the Group since its split off in August 2011. Therefore, the sales of coking coal products by the above company subsequent to the split are not included in sales of coking coal.

★ : Selling price is agency service fee

* : Briquette export

• Cost of sales

For the year ended 31 December 2012, cost of sales for the Group's coal operations decreased from RMB57.450 billion for the year ended 31 December 2011 to RMB56.460 billion, representing a decrease of 1.7%. Changes in major cost items were set out as follows:

Unit: RMB100 million

Item	For the year ended 31 December 2012	For the year ended 31 December 2011 (restated)	Increase/decrease: Increase/ decrease in amount	Increase/decrease: Increase/ decrease (%)
Materials costs (excluding cost of external purchases of raw coal for washing purpose and proprietary coal trading cost)	60.28	59.63	0.65	1.1
Cost of external purchases of raw coal for washing purpose	19.60	22.11	-2.51	-11.4
Proprietary coal trading cost	189.38	222.93	-33.55	-15.0
Staff costs	32.71	30.24	2.47	8.2
Depreciation and amortisation	37.05	35.55	1.50	4.2
Repair and maintenance☆	11.24	11.65	-0.41	-3.5
Transportation costs	110.02	91.54	18.48	20.2
Coal sustainable development fund (reserve)	20.90	19.45	1.45	7.5
Outsourcing mining engineering fee	27.27	24.75	2.52	10.2
Sales taxes and surcharges	12.72	12.10	0.62	5.1
Other costs*	43.43	44.55	-1.12	-2.5
Total costs of sales for coal operations	564.60	574.50	-9.90	-1.7

Notes: ☆: Repair expenses of the coal operations segment include inter-segment repair expenses which are eliminated upon consolidation.

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

For the year ended 31 December 2012, the Group's cost of sales of self-produced commercial coal was RMB36.982 billion, representing a year-on-year increase of RMB2.112 billion or 6.1%. The unit cost of sales of self-produced commercial coal was RMB332.82/tonne, representing a year-on-year decrease of RMB9.99/tonne or 2.9%.

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 2012	For the year ended 31 December 2011 (restated)	Increase/decrease: Increase/ decrease in amount	Increase/decrease: Increase/ decrease (%)
Materials costs (excluding cost of external purchases of raw coal for washing purpose)	54.25	58.62	–4.37	–7.5
Cost of external purchases of raw coal for washing purpose	17.64	21.74	–4.10	–18.9
Staff costs	29.44	29.73	–0.29	–1.0
Depreciation and amortisation	33.34	34.95	–1.61	–4.6
Repair and maintenance	10.11	11.45	–1.34	–11.7
Transportation costs	98.23	89.99	8.24	9.2
Sales taxes and surcharges	11.44	11.90	–0.46	–3.9
Coal sustainable development fund (reserve)	18.81	19.12	–0.31	–1.6
Outsourcing mining engineering fee	24.54	24.33	0.21	0.9
Other costs	35.02	40.98	–5.96	–14.5
Unit cost of sales of self-produced commercial coal	332.82	342.81	–9.99	–2.9

The year-on-year decrease in the Group's unit cost of sales of self-produced commercial coal for the year ended 31 December 2012 was mainly attributable to:

Unit material cost decreased by RMB4.37/tonne year-on-year, which was mainly attributable to enhanced measures for cost reduction and efficiency improvement, and stepped-up management of obsolete materials repair and waste reuse, expense consumption reduction in response to market challenges as well as decreased procurement prices during the reporting period, which resulted in a drop in material cost; meanwhile, the year-on-year increase in the sales volume of self-produced commercial coal and the deconsolidation of Huajin Coking Coal Company with higher material cost after its split in August 2011 also contributed to the year-on-year decrease in material cost.

Unit cost of external purchases of raw coal for washing purpose decreased by RMB4.10/tonne year-on-year, which was mainly attributable to the decreased total cost of external purchases of raw coal for washing purpose as a result of the decrease in the procurement volume of external purchases of raw coal for washing purpose during the reporting period. In addition, the increase in the sales volume of self-produced commercial coal diluted the unit cost of external purchases of raw coal for washing purpose correspondingly.

Unit depreciation and amortisation decreased by RMB1.61/tonne year-on-year, which was mainly attributable to the dilution of depreciation and amortisation costs by the increased sales of self-produced commercial coal of the Group.

Unit repair and maintenance expenses decreased by RMB1.34/tonne year-on-year, which was mainly attributable to the decreased repair expenses incurred as a result of the increase in replacement of production equipment and facilities being put into operation by the subsidiaries of the Company. In addition, the Group intensified independent repair and maintenance efforts, leading to decreased repair expenses.

Unit transportation cost increased by RMB8.24/tonne year-on-year, which was mainly attributable to a number of factors including the expansion of the Group's operation scale and the increase in the coal sales volume for which the Group bore the transportation costs and the increase in the harbour tolls to RMB4/tonne since October 2011, and the increased tariff rate of cargo transport through certain railway routes since May 2012, leading to the corresponding increase in transportation costs.

Unit other costs decreased by RMB5.96/tonne year-on-year, which was mainly attributable to the year-on-year decrease in payment of water discharge fees levied on mining activities by subsidiaries of the Company during the reporting period. In addition, environmental restoration and land subsidence treatment expenses incurred recorded a year-on-year decrease due to the Group's enhanced management of non-recurring project expenses in the normal course of business.

Gross profit and gross profit margin

For the year ended 31 December 2012, gross profit of the Group's coal operations segment decreased from RMB16.924 billion for the year ended 31 December 2011 to RMB15.535 billion, representing a decrease of 8.2%, and gross profit margin decreased by 1.2 percentage points from 22.8% for the year ended 31 December 2011 to 21.6%.

2. COKING OPERATIONS

- Revenue

For the year ended 31 December 2012, the Group's revenue from coking operations decreased from RMB5.301 billion for the year ended 31 December 2011 to RMB4.185 billion (generated entirely from revenue of external sales), representing a decrease of 21.1%. This was mainly due to the reduction of loss from coking operations, which was attributable to the decreased sales volume of self-produced coke year-on-year as a result of continuous implementation of contractive strategies in coking operations and elimination of backward coke production capacity. In addition, affected by the market situation, the selling price of coke decreased year-on-year.

The revenue from coke sales of the Group for the year ended 31 December 2012 was RMB3.325 billion, representing a year-on-year decrease of RMB996 million.

Changes in the sales volume and selling price of coke of the Group for the year ended 31 December 2012 and for the year ended 31 December 2011 were set out in the table below:

	For the year ended 31 December 2012		For the year ended 31 December 2011		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	177	1,441	210	1,689	-33	-248	-15.7	-14.7
Domestic sales	177	1,441	210	1,689	-33	-248	-15.7	-14.7
Exports	☆	☆	☆	☆	–	–	–	–
2. Proprietary trading	51	1,526	38	2,045	13	-519	34.2	-25.4
Domestic sales	50.7	1,523	29	1,835	21.7	-312	74.8	-17.0
Exports	0.3	1,978	9	2,711	-8.7	-733	-96.7	-27.0
3. Export agency*	1	26	10	28	-9	-2	-90.0	-7.1

☆ : N/A

* : Selling price is agency service fee

For the year ended 31 December 2012, the Group's revenue from sales of methanol, coal tar, crude benzol etc., in the coking operations of the Group (in addition to coke sales) amounted to RMB860 million, representing a year-on-year decrease of RMB120 million. Among the sales, the sales volume of self-produced methanol by China Coal Heilongjiang Coal Chemical Company Limited amounted to 141.1 thousand tonnes. In addition, all methanol produced by Heilongjiang Coal Chemical Group was sold externally via the Group, which increased the sales volume of methanol by 49.9 thousand tonnes. For the year ended 31 December 2012, the Group's total sales volume of methanol amounted to 191 thousand tonnes with weighted average selling price of RMB2,118/tonne, achieving operating revenue of RMB405 million.

- Cost of sales

  For the year ended 31 December 2012, costs of sales of coking operations decreased from RMB5.191 billion for the year ended 31 December 2011 to RMB4.336 billion, representing a decrease of 16.5%. The decrease was mainly attributable to the year-on-year decrease in the output of self-produced coke as a result of the elimination of backward coke production capacity. Details are set out as follows:

  Unit: RMB100 million

Item	For the year ended 31 December 2012	For the year ended 31 December 2011	Increase/decrease	
			Increase/ decrease in amount	Increase/ decrease (%)
Material costs	36.64	42.31	-5.67	-13.4
Staff costs	0.73	0.65	0.08	12.3
Depreciation and amortisation	1.60	1.56	0.04	2.6
Repair expenses	0.24	0.25	-0.01	-4.0
Transportation expenses	3.03	4.05	-1.02	-25.2
Business taxes and surcharges	0.17	0.98	-0.81	-82.7
Other costs	0.95	2.11	-1.16	-55.0
Total costs of coking operations	43.36	51.91	-8.55	-16.5

- Gross profit and gross profit margin

  For the year ended 31 December 2012, the gross profit of the Group's coking operations segment decreased from RMB110 million for the year ended 31 December 2011 to RMB-151 million, representing a decrease of RMB261 million, and the gross profit margin decreased from 2.1% for the year ended 31 December 2011 to -3.6%, representing a decrease of 5.7 percentage points. This was mainly due to the substantial year-on-year decrease in market price of coke as a result of the lingering weakness in coke market.

3. Coal mining equipment operations

- Revenue

For the year ended 31 December 2012, revenue of coal mining equipment operations increased from RMB8.788 billion for the year ended 31 December 2011 to RMB8.919 billion, representing an increase of 1.5%, of which the revenue after netting of other inter-segmental sales increased from RMB7.733 billion for the year ended 31 December 2011 to RMB7.885 billion, representing an increase of 2.0%. This was mainly attributable to the year-on-year increase in the sales volume of major coal mining equipment as a result of taking full advantages of complete set of equipment and efforts in market expansion.

- Cost of sales

For the year ended 31 December 2012, costs of sales of coal mining equipment operations decreased from RMB7.204 billion for the year ended 31 December 2011 to RMB7.194 billion, representing a decrease of 0.1%. This was mainly attributable to the year-on-year decrease in costs as a result of the changes in product mix of coal mining equipment, the optimisation of production technique and progress of coal mining equipment manufacturers. Details are set out below:

Unit: RMB100 million

Item	For the year ended 31 December 2012	For the year ended 31 December 2011	Increase/decrease Increase/ decrease in amount	Increase/ decrease (%)
Material costs	57.43	55.84	1.59	2.8
Staff costs	6.72	6.47	0.25	3.9
Depreciation and amortisation	0.90	0.86	0.04	4.7
Repair expenses	0.62	0.63	-0.01	-1.6
Transportation expenses	1.36	1.39	-0.03	-2.2
Business taxes and surcharges	0.59	0.44	0.15	34.1
Other costs	4.32	6.41	-2.09	-32.6
Total costs of coal mining equipment operations	71.94	72.04	-0.10	-0.1

- Gross profit and gross profit margin

  For the year ended 31 December 2012, gross profit of the Group's coal mining equipment operations segment increased from RMB1.584 billion for the year ended 31 December 2011 to RMB1.725 billion, representing an increase of 8.9%, and gross profit margin increased from 18.0% for the year ended 31 December 2011 to 19.3%, representing an increase of 1.3 percentage points.

4. Other operating segments

For the year ended 31 December 2012, the Group's total revenue from operations such as sales of primary aluminium and power generation decreased from RMB4.511 billion for the year ended 31 December 2011 to RMB3.929 billion, representing a decrease of 12.9%, of which the revenue after netting of other inter-segmental sales decreased from RMB3.793 billion for the year ended 31 December 2011 to RMB3.439 billion, representing a decrease of 9.3%. The gross profit of other business segments decreased by 20.4% from RMB309 million for the year ended 31 December 2011 to RMB246 million, and gross profit margin decreased from 6.8% for the year ended 31 December 2011 to 6.3%, representing a decrease of 0.5 percentage point.

(3) Selling, general and administrative expenses

For the year ended 31 December 2012, the Group's selling, general and administrative expenses decreased from RMB4.757 billion for the year ended 31 December 2011 to RMB4.586 billion, representing a decrease of 3.6%. This was mainly because the Group strictly controlled various expenses by implementing a series of administrative measures such as cementing the control over staff costs and reducing daily recurring expenses, resulting in the decrease in relevant expenses. In addition, the Group made provision for the loss from bad debts in accounts receivable of RMB26 million during the reporting period, representing a decrease of RMB41 million as compared to RMB67 million in 2011.

(4) Other net gains

For the year ended 31 December 2012, the other net gains of the Group decreased from RMB152 million for the year ended 31 December 2011 to RMB122 million, representing a decrease of 19.7%. This was mainly attributable to the increase in losses from the disposal of non-current assets by subsidiaries of the Company and the natural disaster losses of China Coal Equipment Company, a subsidiary of the Company in 2012. In addition, income from government subsidies and other sources increased by RMB71 million.

(5) Profit from operations

For the year ended 31 December 2012, the Group's profit from operations decreased from RMB14.219 billion for the year ended 31 December 2011 to RMB12.807 billion, representing a decrease of 9.9%. Changes in profit from operations for each operating segment are as follows:

Unit: RMB100 million

		For the year ended 31 December 2012	For the year ended 31 December 2011 (restated)	Increase/decrease: Increase/ decrease in amount	Increase/decrease: Increase/ decrease (%)
The Group		128.07	142.19	-14.12	-9.9
Of which:	Coal operations	127.97	140.09	-12.12	-8.7
	Coking operations	-3.53	-0.75	-2.78	370.7
	Coal mining equipment operations	6.67	5.85	0.82	14.0
	Other operations	-0.17	0.07	-0.24	-342.9

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

(6) Finance income and finance cost

For the year ended 31 December 2012, the Group's net finance costs increased from RMB198 million for the year ended 31 December 2011 to RMB254 million, representing an increase of 28.3%, of which finance income increased from RMB622 million for the year ended 31 December 2011 to RMB807 million, representing an increase of 29.7%. This was mainly attributable to the increase in interest income. The finance costs increased from RMB820 million for the year ended 31 December 2011 to RMB1.061 billion, representing an increase of 29.4%. This was mainly attributable to the increase in interest expenses of RMB352 million as a result of the increase in interest-bearing debts of the Group, while the foreign exchange gains of RMB71 million (foreign exchange loss of RMB46 million in 2011) due to the changes in foreign exchange rate arising from the Japanese Yen borrowings by Pingshuo Company during the reporting period partially offsetting the increase in interest expenses.

(7) Share of profits of associates and jointly controlled entities

For the year ended 31 December 2012, the Group's share of profits of associates and jointly controlled entities decreased from RMB294 million for the year ended 31 December 2011 to RMB236 million, representing a decrease of 19.7%. This was mainly attributable to the decreased investment gains from associates and jointly controlled entities recognised in proportion to the shareholding during the reporting period resulting from the decreased profits of the associates and jointly controlled entities of the Group during the reporting period.

(8) Profit before income tax

For the year ended 31 December 2012, the profit of the Group before income tax decreased from RMB14.315 billion for the year ended 31 December 2011 to RMB12.789 billion, representing a decrease of 10.7%.

(9) Income tax expenses

For the year ended 31 December 2012, the Group's income tax expenses decreased from RMB3.462 billion for the year ended 31 December 2011 to RMB3.214 billion, representing a decrease of 7.2%.

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

For the year ended 31 December 2012, profit attributable to the equity holders of the Company decreased from RMB9.955 billion for the year ended 31 December 2011 to RMB8.842 billion, representing a decrease of 11.2%.

III. Cash Flow

As at 31 December 2012, the Group's cash and cash equivalents amounted to RMB13.222 billion, representing a decrease of RMB7.685 billion as compared to the cash and cash equivalents of RMB20.907 billion as at 31 December 2011.

Net cash generated from operating activities decreased from RMB14.547 billion for the year ended 31 December 2011 to RMB10.887 billion, representing a decrease of 25.2%. This was mainly attributable to the year-on-year decrease in net cash inflow generated from operating activities of RMB2.513 billion as a result of the appropriate adjustment by the Group on its sales policies and settlement method for major customers in order to adapt to the market situation, which led to a year-on-year increase in receivables attributable to operating activities. Cash outflow for interest payment increased by RMB1.485 billion year-on-year as a result of the increase in the issuance of medium-term notes and bank borrowings during the reporting period. During the reporting period, the cash outflow for income tax payment gained a year-on-year increase of RMB211 million. In addition, gains on interests increased by RMB550 million year-on-year, partially offsetting the increase in the above cash outflow.

Net cash used in investing activities decreased from RMB35.283 billion for the year ended 31 December 2011 to RMB31.889 billion, representing a decrease of 9.6%. This was mainly attributable to the year-on-year increase in cash expenses used for investing activities such as project construction, equipment purchase and equity investment related to the construction and development of the core businesses of the Group along with the comprehensive advancement of project constructions. However, the amount of term deposits with initial terms exceeding three months arranged during the reporting period decreased by RMB1.824 billion as compared to the beginning of 2012, which generated cash inflow. The amount of term deposits with initial terms exceeding three months arranged in 2011 increased by RMB6.672 billion as compared to the beginning of 2011, which generated cash outflow, resulting in the year-on-year decrease in net cash used in investing activities.

Net cash generated from financing activities decreased from RMB18.593 billion for the year ended 31 December 2011 to RMB13.311 billion, representing a decrease of 28.4%, which was mainly due to the year-on-year increase of cash net inflow of RMB6.801 billion as a result of the borrowings of the Group in 2012, the year-on-year decrease in cash net inflow of RMB9.967 billion resulting from the issuance of medium-term notes by the Company during the reporting period, the year-on-year increase of RMB962 million in dividend distribution and payment in cash, and the year-on-year increase of RMB1.045 billion attributable to cash consideration for the acquisition of minority interests during the reporting period, resulting in the year-on-year decrease in net cash generated from financing activities.

IV. Liquidity and Sources of Capital

For the year ended 31 December 2012, the Group's funds were mainly derived from the proceeds generated from business operations, bank borrowings and net amounts of funds raised in capital markets. The Group's funds were mainly used for investments in production facilities and equipment for coal, coking and coal mining equipment 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, the net proceeds from share offering in the global and domestic capital markets, and the relevant banking facilities obtained will ensure the sufficiency of 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 2012, the net value of property, plant and equipment of the Group amounted to RMB85.510 billion, representing a net increase of RMB24.687 billion or 40.6% as compared to RMB60.823 billion as at 31 December 2011. This was mainly attributable to an increase in the property, plant and equipment as a result of the increase in project investment from the Company's subsidiaries and the demand for additional equipment and facilities for manufacturing and operation.

As at 31 December 2012 and 31 December 2011, composition of the Group's property, plant and equipment (net value) is set out below:

Unit: RMB100 million

	As at 31 December 2012	Percentage (%)	As at 31 December 2011 (restated)	Percentage (%)
Buildings	115.20	13.5	92.49	15.2
Mining structures	101.78	11.9	46.07	7.6
Plant, machinery and equipment	195.53	22.9	167.95	27.6
Railway structures	4.24	0.5	4.41	0.7
Motor vehicles, fixtures and others	10.69	1.3	10.10	1.7
Construction in progress	427.66	49.9	287.21	47.2
Total	855.10	100.0	608.23	100.0

(2) Mining and exploration rights

As at 31 December 2012, the net value of the Group's mining and exploration rights amounted to RMB32.479 billion, representing a net increase of RMB3.506 billion or 12.1% as compared to RMB28.973 billion as at 31 December 2011. This was mainly attributable to the increase of RMB3.878 billion for the combination of the enterprises under common control, the acquisition and consolidation of local mines and the payment of resource consideration during the reporting period as well as the amortisation of RMB372 million for the reporting period.

(3) Other non-current assets

As at 31 December 2012, other non-current assets of the Group amounted to RMB3.551 billion, representing an increase of RMB503 million or 16.5% as compared to RMB3.048 billion as at 31 December 2011. This was mainly attributable to the increase in the amount of the advance payment of the Group for investment and resource acquisition. And the above amount will be transferred to investment or mining and exploration rights according to the progress of projects.

(4) Trade and note receivables

As at 31 December 2012, the net amount of trade and note receivables amounted to RMB11.394 billion, representing an increase of RMB3.380 billion or 42.2% as compared to RMB8.014 billion as at 31 December 2011, of which the net amount of trade receivables amounted to RMB8.175 billion, representing an increase of RMB2.590 billion or 46.4% as compared to RMB5.585 billion as at 31 December 2011. As at 31 December 2012, the net trade receivables aged within six months of the Group amounted to RMB7.025 billion, accounting for 85.9% of the net trade receivables and representing an increase of RMB2.325 billion or 49.5% as compared to RMB4.700 billion as at 31 December 2011, accounting for 89.8% of the total increased trade receivables. This was mainly attributable to the increase in trade receivables as a result of appropriate adjustment by the Group on its sales policies and settlement method for major customers in order to adapt to the market situation.

(5) Borrowings

As at 31 December 2012, the balance of borrowings of the Group amounted to RMB26.712 billion, representing a net increase of RMB12.194 billion or 84.0% as compared to RMB14.518 billion as at 31 December 2011. This was mainly attributable to an increase in the bank borrowings used for the turnover of production, construction and operation of the subsidiaries under the Company, of which the balance of long-term borrowings (including the portion due within one year) was RMB21.582 billion, representing a net increase of RMB9.319 billion as compared to RMB12.263 billion as at 31 December 2011, and the balance of short-term borrowings amounted to RMB5.130 billion, representing a net increase of RMB2.875 billion as compared to RMB2.255 billion as at 31 December 2011.

(6) Long-term Bonds

As at 31 December 2012, the balance of long-term Bonds of the Group amounted to RMB19.906 billion, representing a net increase of RMB4.951 billion from RMB14.955 billion as at 31 December 2011. The increase was a result of the issuance of medium-term notes by the Company during the reporting period.

VI. Significant Pledge of Assets

The Group did not have significant pledge of assets for the year ended 31 December 2012.

VII. Significant Investment

1. Investment in the Construction of Engineering Plastics Project in Ordos

On 27 March 2012, the resolution on "Investment in the Construction of Engineering Plastics Project in Ordos" was considered and approved at the first meeting of the second session of the Board for 2012, regarding that the Company would invest in the construction of Engineering Plastics Project in Ordos. Contracts concerning the use of patented technologies have been signed, orders of certain equipment with long delivery cycle have been placed and the basic design is about to be completed. Progresses are being made on the tender process of EPC and the preliminary preparation work of on-site construction.

2. Investment in Mengxi-Huazhong Railway Company

On 15 August 2012, the resolution on "Investment in the construction of Mengxi-Huazhong Railway for Coal Transportation" was considered and approved at the third meeting of the second session of the Board for 2012. The Company, together with China Railway Investment Corporation and other promoters, established Mengxi-Huazhong Railway Company, in which the Company owned as to 10% equity interest. The procedures of obtaining business registration and business license for the Mengxi-Huazhong Railway Company was completed in September 2012. As legal person for the project, Mengxi-Huazhong Railway Company will be responsible for the engineering construction of Mengxi-Huazhong Railway for coal transportation. The construction of this project is in the process of implementation.

Save as disclosed above, the Group did not have other significant investment for the year ended 31 December 2012.

VIII. Material Acquisition and Disposal

The Group did not have material acquisition and disposal for the year ended 31 December 2012.

IX. Registration and Issuance of Medium-Term Notes and Short-Term Financing Bonds

On 27 May 2011, the resolution on "Proposal on China Coal Energy Company Limited's Registration and Issuance of Medium-term Notes and Short-term Financing Bonds" was considered and approved, and the Company was approved to register each of the medium-term notes and short-term financing bonds, respectively, for an amount up to RMB35 billion (or an issuance cap determined based on 40% of the latest audited net assets at each registration).

The Company registered and issued the medium-term notes of RMB15 billion with a term of 5 years in 2011. The Company was approved for another registration of the issuance of medium-term notes up to RMB15 billion in 2012 and issued the medium-term notes of RMB5 billion with a term of 7 years on 18 September 2012. The par value is RMB100 each, with the coupon interest rate of 5.12%. All the proceeds were fully credited into the Company's account on 19 September 2012.

X. Operational Risks

(I) Risks of macro economy

The coal industry is a fundamental sector of 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. With the current global economy remains its downturn and the slowdown in China's economic growth, resulting in the decrease in the growth rate of coal demand as well as the coal price, coal enterprises are suffering from subdued profitability.

(II) Risks of overcapacity

With the rapid expansion of production capacity due to the increasing investment in the coal industry, the newly developed production capacity will come into play in the next few years and the coal market may be confronted with serious oversupply. As coal enterprises have similar business models, the homogenised competition among them shall be fierce and overcapacity will trigger price decrease and pressurise the profit margins of the coal enterprises.

(III) Risks of influence of coal import

As affected by conditions of demand and supply and the changes in prices in global and domestic coal markets, Chinese coal import has been undergoing significant growth, while coal export has been dwindling since 2009. The coal import volume of China amounted to 290 million tonnes in 2012, posing greater effect on the demand and supply in domestic coal market. As the world's economic globalisation continues, together with the changes in world's major coal producing nations and energy structure of consuming nations, the demand and supply in domestic coal market will continue to be affected.

(IV) Risks of product price

As affected by various factors such as demand and supply, transportation capacity, policies and weather, the coal price is rather difficult to be determined accurately. Since China abolished the key thermal coal contract for 2013 and implemented a market-oriented reform for thermal coal price, uncertainties may exist in securing railway transport capacity, determining the price and executing contracts for coal enterprises.

(V) Risks of safety production

Restricted by geological conditions and mining methods, coal mining industry involves inherent production safety risks. The Company makes enormous efforts in promoting the “Three Constructions” policies, which covers safe and efficient mines, safety-assured enterprises and production technology management system, and continues to perfect its safety management system through upgrading automatic production and reducing staff working underground gradually, so as to stay ahead in safety production among its peer companies.

(VI) Risks of project investment

New investment project normally requires longer time from conducting feasibility study to completion for commencing operation. Since it is uncertain about the time required for obtaining government’s approval as well as the change in the industry and related industries of the project, the timing and the actual yield rate may vary from the expectation to a certain extent after the project is completed and put into operation.

(VII) Risks of environmental protection

The mining of coal resources will inevitably affect the environment to a certain extent. The Company has strictly complied with the laws and regulations on energy saving and emission reduction and upheld the concept of developing “black resources” in a “green way”. The Company has strived to strike a balance between coal mining development and environmental protection through increasing investment in technological and environmental protection, while actively promoting the recycling economy to build itself into an energy-saving and environmental-friendly enterprise.

(VIII) Risks of rising costs

Continuously rising raw material costs, rigid growth of labour cost and increasing investment in safety production and environmental protection have been persistently bringing up the costs of coal production. In the future, the Company will exert more efforts in cost control, optimise production layout and reduce material purchase costs and unit consumption through adopting new technologies, new working processes and equipment to maintain its leading competitive edge in cost control in the industry.

(IX) Risks of Foreign exchange

The Group’s export sales are generally settled with US dollars and the Group has liabilities denominated in foreign currencies, including Japanese Yen and US dollars. Meanwhile, the Group needs foreign currencies, mainly US dollars, to pay for imported equipment and spare parts. The changes in foreign exchange rates of Renminbi to any other foreign currencies will have bilateral compound effects on the operating results of the Company.

XI. Contingent Liabilities

(1) Bank guarantees

As at 31 December 2012, the Group provided guarantees for a total amount of RMB4.927 billion, among which RMB1.695 billion were the guarantees provided in proportion to the Company's respective shareholdings in the Company's associates and jointly controlled entities. Among which, guarantees of RMB657 million were provided to Huajin Coking Coal Company, RMB567 million to Shanxi Pingshuo Gangue-fired Power Generation Company Limited, RMB300 million to Taiyuan Coal Gasification Longquan Energy Development Company Limited and RMB171 million to China Coal and Coke Xuyang China Coal Group respectively.

On 11 December 2012, the Board approved to provide a guarantee of not exceeding the principal amount of RMB5.61 billion for the proposed bank loans of Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited, a 30%-owned associate of the Company. Relevant bank loan guarantee agreement is yet to be executed and no guarantee obligation is occurred.

(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 2012, 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 2012

- **Coal Operations**

1. Coal production volume maintained rapid growth

During 2012, growth in coal demand in China lacked momentum as a result of the joint impact of slower macroeconomic growth, higher hydropower output in the south and the competitions from imported coal. Such trend led to a change in the relationship between supply and demand of coal and a significant drop in the coal spot price. In face of the complex and challenging environment, China Coal Energy strived to increase its coal production volume by organising production in a scientific manner, optimising coal mining and exploration, and mining and stripping continuation. Meanwhile, the Company also adjusted its marketing strategy flexibly, continued to enhance the coordination among production, transportation and sales, and secured more railway transport capacity, so as to consolidate its key customer base and strive to explore new markets. The Company's coal production volume and sales thus maintained rapid growth against the unfavourable market trend. During the reporting period, the production volume of raw coal amounted to 145.37 million tonnes, representing a year-on-year increase of 14.76 million tonnes or 11.3%. The production volume of commercial coal reached 114.40 million tonnes, representing a year-on-year increase of 10.16 million tonnes or 9.7%. The Company continued to make efforts in promoting the development of a safety-assured enterprise, enhancing the coal production technology management system, and improving its control over safe production. As a result, the Company continued to increase its coal production efficiency while maintaining a safe production environment. During the reporting period, the raw coal production efficiency of the Company reached 47.1 tonnes/worker-shift, representing a year-on-year increase of 4.9%, of which the raw coal production efficiency rate of the open pit mines reached 176.8 tonnes/worker-shift, representing a year-on-year increase of 12.3%.

By utilising its mining area with an advantage of a production capacity of 100 million tonnes, optimising the layout of working faces, and enhancing its equipment utilisation rate and production efficiency, Pingshuo Company recorded a commercial coal production volume of 89.67 million tonnes during 2012, representing a year-on-year increase of 11.8%. After accelerating the relocation of villages where coal mines were located and enhancing its safety technology support, Shanghai Energy Company attained a commercial coal production volume of 7.66 million tonnes during 2012, representing a year-on-year increase of 5.5%. China Coal Huajin Company achieved a commercial coal production volume of 1.92 million tonnes during 2012 through speeding up the construction of mines with high production volume and efficiency, introducing advanced mining equipment, optimising its production system and enhancing the unit output and unit roadheading level of its mines. Tang Shan Gou Company recorded a commercial coal production volume of 1.50 million tonnes during the reporting period by ensuring production continuation in a reasonable manner and stepping up its efforts to produce premium coal.

Commercial coal production volume (10 thousand tonnes)	**2012**	**2011** (restated)	**Change** (%)
Pingshuo Company	**8,967**	8,023	11.8
Shanghai Energy Company	**766**	726	5.5
China Coal Huajin Company	**192**	-	-
Huajin Coking Coal Company	**-**	149	-
Dongpo Company	**792**	720	10.0
Nanliang Company	**210**	189	11.1
Tang Shan Gou Company	**150**	145	3.4
Shuozhong Company	**617**	608	1.5
Dazhong Company	**370**	340	8.8
Shaanxi Company	**60**	-	-
Total	**11,440**	10,424	9.7

Note: 1. The Company's consolidated commercial coal production volume has excluded volume for intra-group transactions, the amount of which reached 6.84 million tonnes in 2012 and 4.76 million tonnes in 2011.

2. Huajin Coking Coal Company ceased to be consolidated into the Company since its split off in August 2011.

3. Tang Shan Gou Company was consolidated into the Company in 2012, the comparative figures have been restated.

4. Shaanxi Company has not been consolidated into the Company and its production volume was calculated based on management statistics.

2. Coal sales volume recorded a higher year-on-year growth

The Company adjusted its marketing strategy proactively, integrated market information resources and enhanced its quick response capacity. The Company also ensured smooth and efficient coordination among production, transportation and sales by optimising its control system and establishing a dynamic coordination mechanism with multiple levels. The Company strengthened and expanded sales channels through fully leveraging on regional companies to promote market segmentation and sales. The Company also enhanced its management on coal quality and improved product and service quality by adjusting its production structure flexibly based on customers' needs, thereby further enhancing the influence of the "China Coal" brand and its product competitiveness on the market. During the reporting period, the Company's commercial coal sales volume reached 149.54 million tonnes, representing a year-on-year increase of 10.97 million tonnes or 7.9%.

Production volume of commercial coal (10 thousand tonnes)			**2012**	**2011 (restated)**	**Change (%)**
(1)	**Domestic sales of self-produced coal**		11,048	10,098	9.4
	By region:	North China	4,662	4,359	7.0
		East China	4,552	4,102	11.0
		South China	1,547	1,589	-2.6
		Others	287	48	497.9
By coal type:		Thermal coal	10,945	10,011	9.3
		Coking coal	103	87	18.4
By contract:		Long– term contract	5,211	5,178	0.6
		Spot trading	5,837	4,920	18.6
By transportation:		Seaborne	7,814	6,903	13.2
		Direct arrival	1,419	1,195	18.7
		Local sales	1,815	2,000	-9.3
(2)	**Self-produced coal export**		64	74	-13.5
	By region:	Taiwan, China	48	58	-17.2
		Korea	5	3	66.7
		Japan	11	13	-15.4
	By coal type:	Thermal coal	64	74	-13.5
	By contract:	Long-term contract	64	74	-13.5
(3)	**Proprietary trading**		3,364	3,317	1.4
	Of which:	Domestic resale	2,941	2,869	2.5
		Import trading	415	443	-6.3
		Transshipment trading	5	–	–
		Self-operated exports	3	5	-40.0
(4)	**Agency sales**		478	368	29.9
	Of which:	Import agency	133	84	58.3
		Export agency	225	284	-20.8
		Domestic agency	120	–	–
Total			14,954	13,857	7.9

During the reporting period, the Company's sales volume of self-produced coal reached 111.12 million tonnes, representing a year-on-year increase of 9.40 million tonnes or 9.2%. In particular, domestic sales of self-produced coal reached 110.48 million tonnes, representing a year-on-year increase of 9.4%. Export of self-produced coal reached 640,000 tonnes, representing a year-on-year decrease of 13.5%.

The Company stepped up its efforts on the development of proprietary coal trading and optimised the product structure by blending with self-produced coal while expanding its market share, thereby increasing the product profitability. During the reporting period, the Company's sales volume of proprietary coal trading amounted to 33.64 million tonnes, of which domestic trading reached 29.41 million tonnes and import trading reached 4.15 million tonnes.

The Company captured the favourable opportunity of the relatively sufficient railway transportation capability in the region of northern Shanxi during the first quarter to actively organise the transportation of coal. The Company successfully seized the market opportunities before the coal prices dropped significantly and laid a solid foundation for the growth of self-produced coal sales scale for 2012. During the reporting period, commercial coal transportation volume by railway amounted to 92.70 million tonnes, representing a year-on-year increase of 11.12 million tonnes or 13.6%.

While strengthening its key customer base, the Company maintained a suitable spot trading sales scale and proactively explored new customers and markets. During the reporting period, the Company's spot sales accounted for 52.5% of the sales of self-produced commercial coal, representing a year-on-year increase of 4.1 percentage points.

- **Coking Operations**

During 2012, the grim situation of the China's coke market in recent years continued as coke producing enterprises faced pressure from both upstream and downstream industries, thus the scale and amount of losses continued to expand. The Company adopted decisive measures, such as transferring its affiliated company China Coal & Coke Jingda Limited in Taigu County of Shanxi Province during 2012, thereby eliminating total backward production capacity of 1.30 million tonnes/year. Meanwhile, the Company endeavoured to increase the profitability of coke products by enhancing its cost control and product quality management, lowering its purchasing cost and increasing the ratio of using railway for external coke transportation. The Company speeded up the construction of various projects, among which the coke-oven gas produced chemical fertiliser project with annual production capacity of 180,000 tonnes synthetic ammonia and 300,000 tonnes urea has commenced trial production. It is expected that the coking operations will realise profits in 2013.

In 2012, the Company realised coke production of 1.70 million tonnes, representing a year-on-year decrease of 360,000 tonnes or 17.5%. Coke sales volume amounted to 2.29 million tonnes, representing a year-on-year decrease of 11.2%, of which self-produced coke sales volume was 1.77 million tonnes, representing a year-on-year decrease of 15.7%; coke sales volume through proprietary trading and import and export agency sales was 520,000 tonnes, representing a year-on-year increase of 8.3%. During the reporting period, the Company produced 134,000 tonnes of methanol, representing a year-on-year decrease of 19,000 tonnes.

Sales volume of coke (10 thousand tonnes)	**2012**	**2011**	**Change (%)**
Self-produced	177	210	-15.7
Of which: Metallurgical coke	144	177	-18.6
Foundry coke	33	33	0.0
Proprietary and agency	52	48	8.3
Total	229	258	–11.2

- **Coal mining equipment operations**

The Company fully leveraged on its ability to manufacture the entire set of equipment and optimised the production technologies and processes so as to satisfy requirements of customers' orders. Total production value of coal mining equipment for 2012 was RMB8.50 billion, representing a year-on-year increase of 4.3%. The total production volume of coal mining equipment reached 391,000 tonnes, representing a year-on-year increase of 8.9%, of which 22,393 units (sets) were major coal mining equipment. The Company further increased the profitability of coal mining equipment through improving its after-sale services and expanding the sales of spare parts of coal mining equipment. While strengthening and expanding its market share in China, the Company also made new progress in developing overseas markets with its main products being sold in various countries in Asia and Europe.

Coal mining equipment	Production value (RMB100 million) 2012	2011	Percentage change (%)	Revenue in 2012 (RMB100 million)	Percentage of revenue of the coal mining equipment segment (%)
Conveyor equipment	33.3	31.7	5.0	18.7	21.0
Support equipment	27.1	25.7	5.4	22.4	25.1
Road header	7.5	7.9	-5.1	2.1	2.4
Shearer	7.6	7.2	5.6	4.9	5.5
Electric mining motor	9.5	9.0	5.6	7.6	8.5
Total	85.0	81.5	4.3	89.2	–

Note: Revenues are figures before netting of inter-segmental sales. The total amount of revenue refers to the total revenue of the coal mining equipment segment.

Product type	Percentage of sales of the product (%)	Market share (%)
Medium and high-end armoured face conveyors	56	60
Medium and high-end hydraulic roof supports	80	19
Medium and high-end shearers	84	31
Medium and high-end electric motors	60	68
Medium and high-end road headers and drilling machines	32	12

The Company is committed to and continues enhancing its technological innovation with a view to developing a technological advantage in its products. In 2012, the Company completed 2 projects in the National 863 Programme and 1 project in the National Key Technologies R&D Programme. The Company won over 10 science awards at national, provincial and ministerial levels, of which the "Complete Set of Equipment and Technology for 10 Million Tonnes Per Year Top Coal Caving Super Long Working Face With Hard Roof And Hard Coal for Shallow But Near Level Coal Seam" was granted the second class award of the National Scientific and Technological Progress Award by National Energy Administration, and the "R&D of Complete Set of Technology and Equipment for Fully-mechanised Top Coal Caving in Extra Thick Coal Seam" was granted the grand prize of the Scientific and Technological Award by China National Coal Association.

- **Other Operations**

In 2012, the production volume of the Company's primary aluminium was 113,000 tonnes, which was basically the same as 2011. Electricity generated was 4.12 billion Kwh, representing a year-on-year decrease of 3.5%.

II. Development of the Industry Trend of the Company

(I) Coal Demand

Coal is the fundamental energy resources in China, accounting for approximately 70% of total energy consumption. With the economic cool-down and the rise of hydroelectricity in 2012, the coal-fired generation experienced a slowdown in growth, which led to weakening coal demand. It is expected that, in 2013, the China's economy will maintain a steady development with a rapid growth in industries such as electricity, steel, chemical engineering and building materials, leading to continuous growth in coal demand.

(II) Coal Supply

According to the Statistical Communiqué of the People's Republic of China on the 2012 National Economic and Social Development issued by the National Bureau of Statistics of the PRC on 22 February 2013, the raw coal production volume of China in 2012 was 3.65 billion tonnes, representing a year-on-year increase of 3.8%. In recent years, the investments in the coal industry has maintained a rapid growth and, as the new coal mines, mines under construction and consolidated mines in the major coal producing provinces will be put into production, coal production capacity is to be swiftly released. In 2013, the coal production volume of China will continue to rise and therefore the market supply of coal may be less tight.

(III) Railway Transportation Capacity

According to the 12th Five-Year Plan for Coal Industry Development, the planned coal transportation capacity of railways in China shall be 3 billion tonnes in 2015. According to the statistics from railway authorities, in 2012, the coal transportation volume by railway in China was 2.26 billion tonnes which was far below the planned target, indicating that the bottleneck of coal transportation still existed. With the completion of reconstruction of several routes for coal transportation and the commissioning of a number of passenger transportation routes in 2013, cargo transportation capacity will be released to a certain extent. As such, coal transportation capacity by railway shall be expected to be enhanced.

(IV) Coal Import

Since 2012, both international and domestic coal markets have been under pressure of oversupply. With a competitive edge in cost, coal import increased by 29.8% year on year to a record-breaking 290 million tonnes in 2012, which exerted pressure to the domestic market to a certain extent. It is expected that, in 2013, the demand for coal import will remain strong.

(V) Coal Prices

The spot price of domestic thermal coal has not seen a substantial recovery since the slump in 2012. Since 2013, the PRC government has abolished key thermal coal contracts and executed reform to converge the dual pricing for thermal coal into a unified mechanism. Rather than being controlled by the government, coal orders will be negotiated directly between suppliers and buyers. Based on the preliminary result of the negotiation between coal enterprises and major power generation companies up till now, the coal price for long-term contacts in 2013 will be about RMB10/tonne lower than that of the spot coal, subject to phase adjustments in light of market volatility.

III. Production and Operation Plans of the Company in 2013

The Company may record a year-on-year decrease in total profit due to the remained low price of coal under a relatively significant change in demand and supply of the domestic coal market in 2013. In response to such grim market conditions, the Company will adhere to annual production and operation goals, arrange production process in a scientific manner, strengthen the coordination among production, transportation, and sales. To enhance development quality and efficiency as the goal, cost control will be more vigorous, adjustments to the layout structure will be speeded up, and product structure and marketing and sales efforts will be optimised. The Company will try its best to achieve the year-on-year growth of raw coal production at above 5% in 2013 and to control the year-on-year increase in unit costs of sales for self-produced commercial coal at no more than 5%, so as to ensure that all the operational missions set by the Board will be attained.

Firstly, to step up market expansion to ensure steady operations of coal production, transportation and sales. By further streamlining production system, optimising production deployment in addition to the construction of safe and efficient coal mines, the Company is dedicated to enhance the coal production capacity and improve unit output and unit roadheading level of its mines. The Company will strengthen coal quality management and optimise commercial coal structure in order to increase the production capacity of premium coal. The Company will increase the transportation capacity in full swing by continuing to organise the first quarter coal production and railway transportation in Northern Shanxi in order to secure advantage in the market at its early stage. By further enhancing its marketing efforts, the Company will step up its market expansion. The Company will create a new competitive edge of integrated operations by optimising its logistics plan and overall development layout and facilitating the construction of a logistics network.

Secondly, to optimise management of key projects and accelerate layout and structural adjustment. The Company will improve the preparation of projects by expediting its applications for licenses and permits. The Company will further optimise the projects to accelerate construction progress. Backed by improvement in its construction planning to control construction costs effectively, the Company will optimise risk control regarding construction projects to enhance construction project management. For corporate structure, the Company will proceed with two key projects, namely the 100-million-tonne scale circular economic demonstration zone in Pingshuo and the 100-million-tonne scale energy and chemical engineering base in Inner Mongolia-Shaanxi. For industrial structure, the Company will focus on developing power generation from pit mouth and coal chemical engineering to extend the industrial chain and improve industrial and product structure, so as to improve the core competitiveness of the Company.

Thirdly, to facilitate the establishment of a safety assured company to improve safety production. By continuing to proceed with the three-year project for the establishment of a safety assured company and focusing on safety and quality standardisation, the Company will aim to eradicate large or even more serious accidents by devoting to risk projection, further resolving hidden problems, creating new supervision measures and enhancing accountability, so as to comprehensively improve the safety management. The three aspects, namely the optimisation of technological safety, on-site execution, and safety supervision, will continue to contribute to the safety and quality standardisation and establishment of a safety assured company. The Company will continue to encourage production status reporting system with an aim of improving dynamic analysis and assessment, in order to master the safety risks and focus on addressing flood and gas disasters.

Fourthly, to deepen management improvement to strive to enhance economic efficiency. By persisting in perfecting the management system and operational workflow, the Company will enhance the foundation management. The Company will strengthen comprehensive budget management by stepping up the efforts in analysis, management and supervision of budget execution and performance assessment. The Company will enhance control over labour cost and promote cost reduction and efficiency increment by various measures to enhance the degree of refined cost management. By pushing forward the establishment of Finance Company, the Company will boost its financial value creation to further centralise treasury management. By perfecting and improving a comprehensive risk management and internal control system, the Company's capability to avoid great risks will be elevated. The Company will enhance the extent of informatisation by promoting industralised and informatised integration.

Fifthly, to strive for technological innovation to increase the momentum for innovation. Sticking to the strategy of consolidating various leading technological innovations, the Company will accelerate the improvement of technological creativity and enhance the mastery of technology. By facilitating technological breakthroughs and promoting the construction of technological innovation system and mechanism, the Company will deepen the development of technological research system that emphasises on both production and research, so as to improve its own creativity and establish itself as an innovative corporation. The Company will focus on the in-depth integration of technological innovation and energy conservation and emission reduction to facilitate the creation of a "Green China Coal" by establishing a comprehensive management mechanism for energy conservation and environmental protection procedures, a technical support mechanism and a collaborative development mechanism.

SIGNIFICANT EVENTS

I. Share capital structure

As at 31 December 2012, the structure of the share capital of the Company was as follows:

Unit: share

Type of Shares	Number of Share	Percentage (%)
A Shares	9,152,000,400	69.03
Of which: A Shares held by China Coal Group	7,538,833,347	56.86
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	125,351,000	0.95
Total	13,258,663,400	100.00
Of which: shares held by China Coal Group and parties acting in concert with it	7,664,184,347	57.81

II. Distribution of final dividends for 2011

The Company's 2011 profit distribution plan was considered and approved at the Company's 2011 annual general meeting held on 27 May 2012. Cash dividends of RMB2,851,145,100 were distributed to the Shareholders, representing 30% of the net profit attributable to the Shareholders of the Company under the PRC Accounting Standards of Business Enterprises, which was RMB9,503,817,000 (the lower of post-tax profits in the financial statements prepared in accordance with the PRC Accounting Standards of Business Enterprises and International Financial Reporting Standards). The distribution was based on the Company's total issued share capital of 13,258,663,400 shares, representing a dividend of RMB0.215 per share (inclusive of tax). The aforesaid final dividends were duly paid to the Shareholders of the Company on 14 June 2012 and 18 July 2012 respectively.

III. Amendment to the Articles of Association

1. On 25 May 2012, in order to comply with the amendment to the requirements of the Hong Kong Listing Rules, the Code on Corporate Governance Practices and the Corporate Governance Report of the HKSE as well as governance requirements of the domestic regulatory authorities, the resolution in relation to the amendment to the Articles of Association was considered and approved at the Company's 2011 annual general meeting.

2. On 11 December 2012, the Resolution on "Amendments to the Articles of Association of the Company" was considered and approved at the first extraordinary general meeting of the Company for 2012 in order to comply with the requirements on Cash Dividends by Listed Companies issued by the China Securities Regulatory Commission and its Beijing Bureau.

IV. Other significant events

1. Issues on the relocation of the neighbouring residents of China Coal and Coke Jiuxin Limited

In May 2010, the Ministry of Environmental Protection of China issued the "Circular on Examination Results after Environmental Protection Inspection on Listed Companies", which addressed the environmental issues on the relocation of the neighbouring residents of China Coal and Coke Jiuxin Limited (a subsidiary of the Company) in Lingshi. The Company took the initiative to converse and coordinate with the local government and residents, and the "Agreement on the Relocation of Residents" was entered into by China Coal and Coke Jiuxin Limited and the Lingshi county government in July 2012. The Company paid a one-off relocation expense of RMB70 million, while the Lingshi county government is responsible for the execution of relocation. 96 units have been relocated so far, which is 50% of the total relocation mission.

2. Shareholding increase in the Company by China Coal Group

The Company's controlling shareholder China Coal Group increased its shareholding in A Shares of the Company amounting to 24,228,245 shares in accruals by the securities trading system of SSE from 22 September 2011 to 21 September 2012. China Coal Group has kept its undertakings not to decrease its shareholding in the Company during the period of the implementation of the plan on shareholding increase and within the statutory period.

China Coal Group and its wholly-owned subsidiary China Coal Hong Kong Limited, since October 2012, have increased shareholding in both A Share and H Share of the Company in several batches. For the period between the first time of increase in shareholding in October 2012 and the end of the reporting period, China Coal Group increased shareholding by 32,961,328 A Shares and China Coal Hong Kong Limited increased shareholding by 5,351,000 H Shares in total. After shareholding increase, China Coal Group has a shareholding in A Shares amounting to 7,538,833,347 shares and China Coal Hong Kong Limited has a shareholding in H Shares amounting to 125,351,000 shares in total. China Coal Group and its parties acting in concert have a total amount in A Shares and H Shares representing 57.81% of the total issued share capital of the Company. China Coal Group and its parties in concert undertook not to decrease its shareholding of the Company within 12 months since the first shareholding increase in October 2012.

EMPLOYEES

As at 31 December 2012, the Group had 54,964 employees in total (2011: 54,948 employees in total).

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company was dedicated in enhancing the quality of its corporate governance. As at 31 December 2012, the Company strictly complied with the "Corporate Governance Code" and "Corporate Government Report" set out in Appendix 14 of the Hong Kong Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Company's annual results for the year ended 31 December 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 of the Hong Kong Listing Rules as at 31 December 2012. The Company, having made a specific enquiry, confirmed that all Directors and Supervisors had complied with the Model Code for the year ended 31 December 2012.

REMUNERATION OF DIRECTORS AND SUPERVISORS

For the year ended 31 December 2012, no directors or supervisors of the Company had agreed to waive any remuneration.

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

DISTRIBUTABLE PROFITS, DIVIDENDS AND CLOSURE OF SHARE REGISTER

For the year ended 31 December 2012, the profit attributable to shareholders of the Company amounted to RMB8,842,210,000 and RMB9,281,271,000 as set out in the audited consolidated financial statements of the year 2012 of the Company prepared in accordance with the International Financial Reporting Standards and the PRC Accounting Standards for Business Enterprises, respectively. To provide better rewards to our shareholders as well as improve corporate and shareholders' values, taking into consideration of our cash dividends policy and the cash dividends distribution record for the last three years, the Board of the Company recommended the payment of cash dividends of RMB2,785,296,150 to shareholders of the Company, representing 31.50% of the profit attributable to the shareholders of the Company (representing 30% of the net profit attributable to the shareholders of the Parent Company prepared in accordance with the PRC Accounting Standards for Business Enterprises), which was RMB8,842,210,000 as set out in the consolidated financial statements of 2012 prepared in accordance with International Financial Reporting Standards. 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 RMB0.210 per share (inclusive of tax). Should the proposed profits distribution plan be approved by the Shareholders at the 2012 annual general meeting by an ordinary resolution, a final dividend will be distributed to the H Shareholders whose names appear on the Company's H Share register of members on 17 May 2013.

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

Pursuant to The Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 issued by the State Administration of Taxation on 28 June 2011, the dividend received by the overseas resident individual Shareholders from the stocks issued by domestic non-foreign invested enterprises in Hong Kong is subject to individual income tax at a rate of 10% in general. However, the tax rates for respective overseas resident individual Shareholders may vary, depending on the relevant tax agreements between those countries where the overseas resident individual Shareholders reside and China. Pursuant to the abovementioned notice, the Company will withhold 10% of the final dividend as individual income tax unless otherwise required by the relevant tax agreements, tax treaties or notices, while distributing the final dividend to the H Shareholders whose names appear on the Company's H Share register of members on 17 May 2013.

As the 2012 annual general meeting will be convened by the Company on 13 May 2013, the share register of the Company will be closed from 13 April 2013 to 13 May 2013 (both days inclusive). In order to qualify for attending and voting at the annual general meeting, holders of H Shares of the Company should, no later than 4:30 p.m. on 12 April 2013, submit all the transfer documents to the Company's share registrar for H Shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. For holders of H Shares of the Company whose names appear on the Company's H Share register of members on 13 April 2013 are entitled to attend and vote at the annual general meeting.

The share register of the Company will be closed from 17 May 2013 to 21 May 2013 (both days inclusive). In order to qualify for receiving the final dividend for 2012, holders of H Shares of the Company should, no later than 4:30 p.m. on 16 May 2013, submit all the transfer documents to the Company's share registrar for H Shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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 2012, which, among other things, will set out the record date and ex-rights date of dividend distribution for A Shares.

As of 31 December 2012, no arrangement was reached pursuant to which the shareholders waived or agreed to waive their dividends.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE GROUP

For the year ended 31 December 2012, the Company and its subsidiaries had not purchased, sold or redeemed any securities (the term "securities" has the prescribed meaning under the Hong Kong Listing Rules) of the Group.

USE OF PROCEEDS FROM H SHARE ISSUE

After deducting related expenses, the net proceeds from H Share issuance of the Company amounted to RMB14.466 billion. For the year ended 31 December 2009, all the net proceeds were used in the way disclosed in the prospectus of H Shares. As at 31 December 2012, among the investment projects funded by the H Share proceeds, Pingshuo East Open Pit Mine, Antaibao underground mine and Heilongjiang methanol project (with a production capacity of 250,000 tonnes/year) were completed and put into production as well as generated revenue. The auxiliary coal preparation plant of Pingshuo East Open Pit Mine has been completed and the underground portion of the auxiliary designated railway line project has been completed and the dedicated railway line shall be expected to be put into operation in June 2013.

AUDITORS

The Company has appointed PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian as its international and domestic auditor, respectively, for the year ended 31 December 2012. The financial statements of the Company prepared in accordance with International Financial Reporting Standards have been audited by PricewaterhouseCoopers and an unqualified opinion has been issued.

ANNOUNCEMENT OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Pursuant to the requirements of the Hong Kong Listing Rules regarding the reporting period, the 2012 annual report of the Company will set out all information disclosed in the annual results announcement for 2012 and will be disclosed on the website of the Company (http://www.chinacoalenergy.com) and the website of the HKSE (http://www.hkex.com.hk) on or before 30 April 2013.

DEFINITIONS

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

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
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
Board of the Company/Board	the board of directors of China Coal Energy Company Limited
China Coal Equipment Company	China National Coal Mining Equipment Company Limited
China Coal Group	China National Coal Group Corporation, the controlling shareholder of the Company
China Coal Huajin Company	Shanxi China Coal Huajin Energy Co., Ltd.
Company Website	www.chinacoalenergy.com
Company/China Coal Energy/ The Group/The Company	China Coal Energy Company Limited, unless otherwise indicated, also includes all of its subsidiaries
CSRC	China Securities Regulatory Commission
Directors	the directors of the Company, including all the executive directors, non-executive directors and independent non-executive directors
Dongpo Company	Shanxi China Coal Dongpo Coal Industry Company Limited
Shuozhong Company	Shuozhou China Coal Pingshuo Energy Company Limited
Dazhong Company	Datong China Coal Export Base Development Company Limited
Finance Company	China Coal Finance Co., Ltd

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
Heilongjiang Coal Chemical Group	China Coal Heilongjiang Coal Chemical Engineering (Group) Company Limited
HKSE	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Huajin Coking Coal Company	Huajin Coking Coal Company Limited
Mengxi-Huazhong Railway Company	Mengxi-Huazhong Railway Co., Ltd.
Ministry of Finance	the Ministry of Finance of the People's Republic of China
Nanliang Company	Shaanxi Nanliang Coal Company Limited
NDRC	the National Development and Reform Commission of the People's Republic of China
Pingshuo Company	China Coal Pingshuo Group Co., Ltd.
PricewaterhouseCoopers	PricewaterhouseCoopers
PricewaterhouseCoopers Zhong Tian	PricewaterhouseCoopers Zhong Tian CPAs Limited Company
RMB	RMB yuan
Sales and Transportation Company	China Coal Sales and Transportation Company Limited
Shaanxi Company	China Coal Shaanxi Yulin Energy Chemical Company Limited
Shanghai Energy Company	Shanghai Datun Energy Resources Company Limited
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
SSE	the Shanghai Stock Exchange

Tang Shan Gou Company	Shanxi Zhongxin Tangshangou Coal Mine Company Limited
Yilan Coal Mine No.3	an underground coal mine in Heilongjiang Province operated by China Coal Heilongjiang Coal Chemical Company Limited

By Order of the Board
China Coal Energy Company Limited
Wang An
Chairman of the Board, Executive Director

Beijing, the PRC, 15 March 2013

As at the date of this announcement, the executive directors of the Company are Wang An and Yang Lieke; the non-executive directors of the Company are Li Yanjiang, Li Yanmeng and Peng Yi, and the independent non-executive directors of the Company are Zhang Jiaren, Zhao Pei, Ngai Wai Fung and Zhou Qinye.

* *For identification purpose only*