年度報告

Annual Report 2017

中国中煤能源股份有限公司
CHINA COAL ENERGY COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
Stock Code : 01898

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

Chairman's Statement

Dear Shareholders:

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

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

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

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

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

Chairman's Statement

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

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

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

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

Chairman's Statement

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

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

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

Chairman's Statement

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

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

Li Yanjiang
Chairman

Beijing, the PRC
20 March 2018

Management Discussion and Analysis of Financial Conditions and Operating Results

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

I. OVERVIEW

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

Unit: RMB100 million

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

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

Unit: RMB100 million

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

Management Discussion and Analysis of Financial Conditions and Operating Results

II. OPERATING RESULTS

(1) Combined Operating Results

1. Revenue

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

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

Unit: RMB100 million

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

Management Discussion and Analysis of Financial Conditions and Operating Results

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

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

2. *Cost of sales*

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

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

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

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

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

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

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

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

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

3. *Gross profit and gross profit margin*

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

Management Discussion and Analysis of Financial Conditions and Operating Results

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

Unit: RMB100 million

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

Note: The above gross profit and gross profit margin of each operating segment are figures before netting of inter-segmental sales.

(2) Operating results of segments

1. *Coal segment*

- *Revenue*

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

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

Management Discussion and Analysis of Financial Conditions and Operating Results

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

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

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

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

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

*: Briquette export.

★: Selling price is agency service fee.

- *Cost of Sales*

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

Unit: RMB100 million

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

★: This cost does not include transportation costs that are related to proprietary coal trading.

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

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

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

Unit: RMB/tonne

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

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

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

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

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

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

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

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

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

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

- *Gross profit and gross profit margin*

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

2. *Coal chemical operations*

- *Revenue*

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

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

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

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

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

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

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

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- *Cost of sales*

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

Unit: RMB100 million

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

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

	Cost of sales (RMB100 million)			**Unit cost of sales (RMB/tonne)**		
	For the year ended 31 December 2017	For the year ended 31 December 2016	Increase/ decrease in amount	**For the year ended 31 December 2017**	For the year ended 31 December 2016	Increase/ decrease in amount
Polyolefin	**61.59**	34.22	27.37	**6,301**	4,812	1,489
1. polyethylene	**31.57**	17.67	13.90	**6,313**	4,922	1,391
2. polypropylene	**30.02**	16.55	13.47	**6,288**	4,690	1,598
Urea	**26.62**	17.68	8.94	**1,163**	893	270
Methanol	**2.48**	5.81	-3.33	**1,859**	1,452	407

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

- *Gross profit and gross profit margin*

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

3. *Coal mining equipment operations*

- *Revenue*

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

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- *Cost of sales*

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

Unit: RMB100 million

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

- *Gross profit and gross profit margin*

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

4. *Finance operations and other operations*

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

(3) Selling Expenses, General and Administrative Expenses

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

(4) Other Net Gains

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

For the year ended 31 December 2017, the assets impairment loss of the Group increased by RMB1.355 billion to RMB1.916 billion from RMB561 million for the year ended 31 December 2016. The Group further pushed forward the supply-side structural reform in combination with dedicated tasks such as "cutting overcapacity" and "disposal and governance of zombie and difficult enterprises" to objectively and fairly reflect the Company's assets. In line with the principle of prudence, the Group conducted impairment tests on assets that showed signs of impairment in 2017 according to China Accounting Standards for Business Enterprises and IFRS, and recognised impairment provisions accordingly based on the result of the impairment tests. Among which, provision for bad debts for receivables that were expected to be poorly recoverable in single item based on aging amounted to RMB196 million; provision for loss of new bank loans to member entities outside the scope of consolidated statements at 1% by Finance Company amounted to RMB12 million; provision for impairment of individual available-for-sale financial assets amounted to RMB42 million; provision for impairment of property, plant and equipment with recoverable amount less than carrying amount amounted to RMB801 million; provision for impairment of mining rights with recoverable amount less than carrying amount amounted to RMB687 million; provision for impairment of land use rights with recoverable amount less than carrying amount amounted to RMB24 million; and provision for impairment of other non-current assets with recoverable amount less than carrying amount amounted to RMB154 million.

(5) Profit from Operations

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

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

Unit: RMB100 million

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

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

(6) Finance Income and Finance Costs

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

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

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

(8) Profit Before Income tax

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

(9) Income Tax Expenses

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

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

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

III. CASH FLOW

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

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

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

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

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IV. LIQUIDITY AND SOURCES OF CAPITAL

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

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

V. ASSETS AND LIABILITIES

(1) Property, Plant and Equipment

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

(2) Mining Rights

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

(3) Investments in Associates

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

(4) Accounts and Notes Receivables

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

(5) Borrowings

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

(6) Bonds

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

VI. SIGNIFICANT CHARGE OF ASSETS

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

VII. SIGNIFICANT INVESTMENT

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

VIII. MATERIAL ACQUISITIONS AND DISPOSALS

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

IX. REGISTRATION AND ISSUANCE OF CORPORATE BONDS, MEDIUM-TERM NOTES AND SHORT-TERM FINANCING BONDS

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

X. OPERATIONAL RISKS

For details of the operational risks, please refer to the section “Directors’ Report” in this report.

XI. CONTINGENT LIABILITIES

(1) Bank Guarantees

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

Unit: RMB10 thousand

The Company's external guarantees (excluding guarantees for subsidiaries)													
Guarantor	**Relationship between guarantor and listed company**	**Guarantee**	**Guaranteed amount**	**Date of execution of guarantee (the date of signing agreement)**	**Commencement date of guarantee**	**Expiry date of guarantee**	**Type of the guarantee**	**Completed or not**	**Overdue or not**	**Overdue amount**	**Counter guarantee available or not**	**Provided to the connected party or not**	**Connected party relationship**
China Coal Energy Company Limited	Company headquarters	Shanxi Pingshuo Gangue-fired Power Generation Company Limited	1,155	24 December 2008	24 December 2008	23 December 2020	Joint and several liability	No	No	–	Yes	No	–
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	3,600	28 March 2008	28 March 2008	20 December 2022	Joint and several liability	No	No	–	No	No	–
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	21,325.5	28 March 2008	28 March 2008	20 December 2023	Joint and several liability	No	No	–	No	No	–
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	9,981.1	28 March 2008	28 March 2008	20 December 2023	Joint and several liability	No	No	–	No	No	–
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	4,000	21 November 2012	21 November 2012	20 November 2027	Joint and several liability	No	No	–	No	No	–
China Coal Energy Company Limited	Company headquarters	Taiyuan Coal Gasification Longquan Energy Development Company Limited	14,320	29 October 2012	29 October 2012	31 January 2021	Joint and several liability	No	No	–	No	No	–
China Coal Energy Company Limited	Company headquarters	Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited	233,966.83	28 April 2013	28 April 2013	28 April 2025	Joint and several liability	No	No	–	Yes	No	–
China Coal Energy Company Limited	Company headquarters	Zhongtian Synergetic Energy Company Limited	1,351,987.5	25 May 2016	25 May 2016	As per agreement	Joint and several liability	No	No	–	No	No	–
Shanghai Datun Energy Resources Company Limited	Controlling subsidiary	Fengpei Railway Company Limited	1,384.75	21 November 2013	21 November 2013	20 April 2024	Joint and several liability	No	No	–	Yes	No	–
China Coal Shaanxi Yulin Energy & Chemical Company Limited	Wholly-owned subsidiary	Yan'an Hecaogou Coal Mine Company Limited	10,500	28 November 2015	29 November 2015	1 September 2025	Joint and several liability	No	No	–	Yes	No	–
Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)													13,226.57
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)													1,652,220.68
Guarantee provided by the Company and its subsidiaries to its subsidiaries													
Total guarantee to subsidiaries incurred during the reporting period													-111,528.16
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)													671,019.93
Total guarantee of the Company (including those to subsidiaries)													
Total guarantee (A+B)													2,323,240.61
Percentage of total guarantee to net assets of the Company (%)													26.1
Of which:													
Amount of guarantee provided to shareholders, de facto controllers and connected parties (C)													–
Balance of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio of over 70% (D)													1,434,470.43
Excess amount of total guarantee over 50% of net assets (E)													–
Total amount of the above three categories (C+D+E)													1,434,470.43
Explanations on the possible joint and several liabilities for liquidation in respect of the outstanding guarantee													–
Explanations on the guarantee													–

(2) Environmental Protection Responsibilities

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

(3) Contingent Legal Liabilities

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

XII. OTHER EVENTS

(1) Entrusted Wealth Management

As at 31 December 2017, the Group had neither entrusted wealth management nor investments in derivatives.

(2) Entrusted Loans

1. Overview

Unit: RMB10 thousand

Balance of entrusted loans at the beginning of the period	Amount incurred from entrusted loans for the current period	Actual amount of principal recovered from entrusted loans	Balance of entrusted loans at the end of the period
146,200	10,200	116,200	40,200

2. *Details*

Unit: RMB10 thousand

Name of borrower	Amount of entrusted loans	Term	Interest rates (%)	Collateral or guarantor	Overdue or not	Connected party transaction or not	Extended or not	Involved litigation or not	Source of capital and whether for fund raising or not	Connected party relationship	Expected return	Investment gains and losses
Yan'an Hecaogou Coal Mine Company Limited	30,000	One year	5.39%	–	No	No	Yes	No	No	–	1,617	1,150
Hebei Sinocoal Risun Coking Company	10,200	One year	6.18%	–	No	No	No	No	No	–	630	269

3. *Other investments in wealth management products and derivatives*

As at 31 December 2017, the Group had no other investments in wealth management products or investments in derivatives.

Business Performance

I. PRINCIPAL BUSINESS OPERATIONS OF THE COMPANY IN 2017

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

(1) Coal Operations

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

1. Coal production

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

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

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

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

2. Coal sales

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

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

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

Business Performance

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

3. *Coal Reserve*

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

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

During 2017, the Company verified to decrease the resource reserve by 23 million tonnes and utilised 136 million tonnes of resource reserve. As at the end of 2017, the Company had coal resource reserve of 23.44 billion tonnes with mining rights and recoverable reserve of 13.865 billion tonnes in accordance with the mining standards of the PRC.

(2) Coal Chemical Operations

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

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

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

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

Notes:
1. The olefin production and sales volumes of the Company do not include those of Mengda Engineering Plastics Project in trial production.
2. For the purpose of comparison under identical statistical caliber, the 69 thousand tonnes of methanol produced by the methanol facilities of Yulin Olefin Project during overhaul which was supplied to Mengda Engineering Plastics Project as intermediate is not included in the statistical scope for calculating the methanol production volume of the Company.
3. The methanol sales volume of the Company includes the sales volume of 24 thousand tonnes of all the proprietary methanol products produced by Heilongjiang Coal Chemical Group, a subsidiary of China Coal Group, excluding the internal consumption of 586 thousand tonnes.

(3) Coal Mining Equipment Operations

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

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

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

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

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

(4) Coordination among Operating Segments

The Company fully capitalised on the advantages of industrial chain, stabilised its traditional principal businesses, optimised the layout of industrial structure, and promoted the transformation and upgrading of the enterprises to continuously enhance coordinated development among the operating sectors. During the reporting period, the power plants and chemical enterprises of the Company jointly promoted clean utilisation and conversion of coal, and consumed 4.25 million tonnes of self-produced low calorific value coal and engineering coal in total. The coal chemical projects in the regions of Inner Mongolia and Shaanxi exerted more efforts into local transformation of self- produced coal and purchased 2.11 million tonnes of engineering coal from surrounding coal mines under construction. The coal mining equipment segment achieved internal product sales and services revenue of RMB430 million, representing 7.8% of the total sales revenue of the segment.

II. ANALYSIS OF CORE COMPETITIVENESS

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

The principal coal business of the Company has distinctive advantages with its leading technologies and techniques in coal mining, washing, preparation and blending in the industry. The production costs of the coal mines are lower than most of the coal enterprises in China. The capable, efficient production mode and the scale merit of cluster development constitute the core competitive advantage of the Company. The Company boasts abundant coal resources. Mining areas in Pingshuo, Shanxi and Hujierte, Ordos of Inner Mongolia, primarily developed by the Company, are the important thermal coal production bases in the PRC. The coking coal in the mining area in Xiangning, Shanxi, is of high quality with low sulphur and extra low phosphorus content. Resource advantages enable the Company to win the market competitive edges and provide the Company with favourable conditions for achieving sustainable development.

Business Performance

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

The Company is one of the largest coal traders in the PRC with branches in major coal consumption regions, transshipment ports and major coal import regions. By capitalising on its constructed system of coal sales and logistics, well-established port service and high-calibre professional teams, the Company is able to quickly adapt to coal market changes by leveraging on its excellent capabilities for market exploration and distribution.

The Company is the national and even the world's only large-scale energy enterprise, which is able to engage in manufacturing coal mining equipment, coal mining, washing, preparation and processing, logistics and transportation as well as provision of system solution, with the advantages of whole industrial chain for coal. The advantages of the complete industrial chain of the Company can effectively expand the scopes of products and services, improve the Company's capability in coal production and sales, and reinforce the Company's risk resistance capability and core competitiveness.

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

In recent years, the Company has adhered to the established strategy and firmed confidence of development so as to expedite extension of coal business to coal chemical and coal power generation with a shift of development mode from scale and speed-oriented extensive growth model to the quality and efficiency-focused intensive model. Coal business has achieved scale development and innovative coal chemical has become a new growth driver. Power industry has also made new achievements while the equipment industry has stayed ahead of the industry. The Company has vigorously pushed forward quality enhancement, cost reduction and efficiency improvement so as to maintain a sound financial structure and enhance risk resistance capability, thus laying a solid foundation for sound and fast development of the Company in the new era.

III. COMPETITIVE LANDSCAPE IN THE INDUSTRY

In recent years, the adjustments on the coal structure have achieved remarkable results and the industrial concentration has been increasing continuously. The production volume of top 10 coal enterprises in China has exceeded more than 40% of the domestic total output, and the assurance for stable coal supply in China has increasingly been strengthened. The supply-demand scenario has been undergoing deep adjustment. The centre of coal production in China is increasingly being concentrated in Shanxi, Shaanxi, Inner Mongolia and Ningxia, with the coal output in the four provinces and regions accounting for about 70% of the domestic total output. With the shift of the coal production centre to the west of China and the expansion of inter-region coal allocation scale, the coal transportation pattern formed over the years has been broken. The problems of tight regional and temporal coal supply have gradually come into surface.

From the perspective of the policy guidance, the government focuses on guiding enterprises to participate in capacity reduction and replacement, developing advanced production capacity, and encouraging optimisation and integration of coal resources, with the aim of making specialised coal enterprises stronger, better, and bigger by way of expediting the reform process of state-owned enterprises. From the perspective of the industry level, the revolution in energy production and consumption is being pushed forward, with improved supply quality, rapid transformation of consumption structure, breakthroughs in technical innovation and progress in governance. From the perspective of coal enterprises, a better understanding on the supply-side structural reform has been obtained, and coal producers have become more determined to phase out backward production capacity; and key coal enterprises have played leading roles in guaranteeing supply and stabilising coal prices. As resolving of excess capacity and capacity replacement continue to move forward, backward production capacity has been gradually eliminated, and the coal enterprises have been increasing their efforts on reform and renovation, transformation and upgrading. The resources of the coal industry are expected to accumulate among superior enterprises. Therefore, the concentration and specialisation of the industry will be gradually enhanced and the industrial structure will develop towards medium and high ends.

The principal coal business of the Company has distinctive advantages with its leading coal mining technologies, washing and preparation techniques, production efficiency, cost control and marketing network in the industry. For the past few years, the Company has tried its best to promote structural transformation and upgrading, so that the coal chemical business has expanded gradually, the product structure has become diversified and the market structure has been optimised continuously. In addition, the profitability has increased steadily and the control level of the coal chemical operations has reached a new level. In 2017, the Company kept abreast of market changes, organise production scientifically, spent more efforts on quality and productivity improvement, and promoted reform and adjustments. The operational quality was enhanced gradually and the profit before income tax was increased significantly. By leveraging on its own advantages, the Company will vigorously participate in the consolidation of coal resources and firmly advance structure adjustment so as to become a world first class clean energy supplier with global competitiveness.

IV. INDUSTRY DEVELOPMENT TRENDS OF THE BUSINESS OF THE COMPANY

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

Improving the quality of the supply system is the fundamental guiding ideology for the future development of the coal industry. 560 million tonnes of cumulative backward production capacity was phased out during the 12th Five-year Plan period and over 400 million tonnes of cumulative overcapacity was cut in the past two years, completing more than half of the target of the 13th Five-Year Plan. According to the statistics of the China National Coal Association, the number of coal mines in China has been reduced from more than 12,000 in early 2016 to around 8,000 at present. The output of single pit has also been increased from 300 thousand tonnes per year to 500 thousand tonnes per year. In addition, over 1,200 large modern coal mines with annual output of 1.2 million tonnes or above have been constructed throughout China. In the next period, aggregate coal de-capacity will be transformed to structural coal de-capacity. The quality of the domestic coal supply system is expected to improve steadily.

According to the data from the National Bureau of Statistics, coal consumption still accounted for more than 60% of China's total energy consumption in 2017. The dominant position of coal being the main energy will remain unchanged in a long foreseeable future. However, with the rapid growth of new energy, stricter constraints on ecological and environmental protection and continuous improvement of social energy conservation, the growth of coal consumption demand is likely to slow down gradually. The long-term development of the coal industry will depend on improving the quality of production capacity and achieving transformation and upgrading.

The new coal chemical industry closely related to the coal industry has a good development prospect. Currently, the international oil price maintains at relatively high level, which provides some support for the polyolefin price. Chinese government is strengthening environmental supervision, which will continuously push forward the supply-side reform of the chemical fertiliser and traditional chemical industries, making a positive impact on the prices of products such as chemical fertilisers.

V. PRODUCTION AND OPERATION PLANS OF THE COMPANY IN 2018

In 2017, firmly focusing on the annual production and operation targets, the Company reasonably organised production, strengthened the coordination between production and sales, optimised the product structure, raised product quality, vigorously reduced cost and improved efficiency, and strived to maintain the stable running of production and operations. The Company overcame difficulties, such as difficult organisation of coal production and coal chemical shutdown for overhaul, and nearly completed the annual production and operation plans, with commercial coal output of 75.54 million tonnes; sales volume of self-produced commercial coal of 73.29 million tonnes; polyolefin output of 976 thousand tonnes and polyolefin sales volume of 977 thousand tonnes; urea output of 1.996 million tonnes and urea sales volume of 2.290 million tonnes. The Company recorded the operating revenue of RMB81.123 billion, representing a year-on-year increase of 33.7%. Due to combined effects such as rising prices of the raw materials, increased safety investment and a year-on- year decrease in the sales volume of self-produced commercial coal, the unit cost of sales of self-produced commercial coal amounted to RMB329.38/ tonne, representing a year-on-year increase of RMB57.42/tonne. The profit before income tax reached RMB7.326 billion, representing a year-on-year increase of RMB4.323 billion.

In 2018, in view of the keynote of "Seeking Progress in Stability", in accordance with the requirements for high-quality development and following the work ideas of "quality improvement amid stability with reform and innovation", the Company will continue to focus on "cutting overcapacity, destocking, deleveraging, reducing costs, and remedying the weakness", prevent and eliminate major risks and strive to improve the profitability. According to the annual plan for 2018, on the premise that there will be no material changes to the markets, the production and sales volumes of self-produced commercial coal, polyolefin products and urea are planned to be 75 million tonnes, 1.30 million tonnes and 1.85 million tonnes respectively; the operating revenue will be strived to achieve a year-on-year increase of above 5%; the unit cost of sales of self-produced commercial coal will be controlled at the same level as in 2017. In addition, the Company will exercise strict control on the expenses and make efforts to achieve stable profit increase. The Company will focus on the following tasks:

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

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

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

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

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

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

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

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

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

VI. ENVIRONMENTAL POLICIES AND PERFORMANCE

By carefully implementing national laws, regulations and policies on resource conservation and environmental protection, the Company has continued to practice the core vision of "Green China Coal and Cares for the Nature". The Company has insisted on green-oriented strategies, relied on green technology, led by green culture, and pursued scientific exploration and mining, efficient usage of resources, clean production techniques, and ecological environment protection in the mining areas. As a result, the energy conservation, environmental protection and the construction of "Green China Coal" have obtained new achievements.

Implementing green coal development. The Company has promoted various green mining technologies in respect of preserving water resources while mining, mining without coal pillars and semi-continuous manufacturing as suitable based on the specific conditions, to achieve exploiting coal resources to its fullest extent according to the coal mining conditions. The Company has also pursued full washing and preparation and decreased the coal's ash content and sulphur content to provide clean coal products of high quality. In addition, the Company upgraded or modified the environmental protection facilities, actively carried out comprehensive utilisation of resources and promoted ecological restoration in the mining areas, and developed circular economy in the mining areas to achieve win-win harmony between the local area and enterprises. In 2017, the Company's recovery rate of mining area of coal mine, integrated energy consumption of raw coal, and integrated utilisation rate continued to keep ahead in the industry.

Building new advanced coal chemical projects. The unit consumption of polyolefin products of new coal chemical projects, which were constructed and put into operation in recent years, maintained an advanced level in China. The Company took the initiative to successfully develop the polyethylene-chromium products, and built a comprehensive recycling system for water treatment with the main features of "treating high-salt mine water to use as production water, recycling the wastewater of coal chemical treatment to achieve zero emission and recovering salt from brine through crystallization to achieve resource-effectiveness", which enabled the Company to mitigate the contradiction between the significant water consumption by coal chemical enterprises and the shortage of local water resources in Ordos and outpace the others to achieve zero wastewater emission among coal chemical enterprises.

Developing clean and green electricity. The Company used large-capacity and environment-friendly generation units to promote the construction of coal-fired power generation and pithead power generation projects of low heat value. The Company implemented comprehensive upgrade on energy conservation and emission reduction and the modification construction for ultralow emission at the existing coal-fired power plants to further improve the energy-effectiveness level, reduce the aggregate pollutant emission and vigorously promote the green and clean development of the industry.

Promoting the manufacturing of green coal mining machinery. The Company built green coal mining machinery brands of high efficiency, environment-friendliness and low consumption to shape itself as a supplier of clean energy technologies, equipment and services. The Company actively adopted advanced manufacturing technologies such as digital manufacturing, high-speed cutting, rapid prototyping to promote the development of green manufacturing, and promoted advanced remanufacturing technologies such as laser cladding and established a remanufacturing service system. In addition, the Company adopted various energy saving technologies such as electrohydraulic forging hammer and medium frequency furnace heating, as well as various comprehensive electricity saving technologies such as frequency control, soft start, reactive compensation, computer-based automatic control and solar-powered lighting, with remarkable benefits achieved from energy and electricity conservation. The Company also replaced coal-fired boilers with clean energies such as natural gas to significantly reduce pollutant emission.

VII. COMPLIANCE WITH LAWS AND REGULATIONS

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

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

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

VIII. RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

Committed to realising the sustainable development target of "optimising the comprehensive value of economy, society and environment", the Group deeply implemented a strategy for harmonious development, continually creating value for employees and customers and maintaining good relationship with suppliers. The Group understands deeply that the development of employees is the key assurance of sustainable development of the Company. Realisation and enhancement of their value would enable the achievement of the Group's overall target. Therefore, suggestions and opinions of our staffs and staff representatives are heard by the Group via various channels, such as employees' representative conference, employee satisfaction surveys and forums, and etc., which enable the Group to offer occupation training, better working environment and conditions, and provide long-term career prospects correspondingly. The Group attaches high importance to suppliers selection, and intends to establish a long-term partnership with high-quality suppliers who will be selected through open tendering or working conferences at arm's length for mutual benefit. In order to strengthen the Group's core competitiveness, the Group upholds a "customer-centric, market-oriented" marketing concept, and keeps itself informed of customers' needs instantly through service hotline, after-sale service, seminars and regular visits, thus providing qualified and personalised products and services to customers. For the year ended 31 December 2017, the Group did not have any substantial or significant disputes with its suppliers and/or clients.

Capital Expenditure

I. PERFORMANCE OF CAPITAL EXPENDITURE BUDGETED FOR 2017

1. Capital Expenditure

The Company's capital expenditure budgeted for 2017 focused on principal operations including coal, coal chemical and power generation. The coal segment primarily included large-scale coal mine extension projects such as Xiaohuigou Coal Mine, Dahaize Coal Mine, Muduchaideng Coal Mine and Nalin River No. 2 Coal Mine. The coal chemical segment primarily included coal chemical extension projects for the structural adjustment as well as transformation and upgrading of the Company, such as Mengda Engineering Plastics Project. The power generation segment primarily included approved power plant extension projects for the structural adjustment as well as transformation and upgrading of the Company, for example, Pingshuo 2×660MW low calorific value coal power project, Shanghai Energy Company 2×350MW "building large-scale ones and decommissioning small-scale ones" thermal power project and the second power plant located in the north of Wucai Bay, Zhundong, Xinjiang. With the completion of a series of large-scale coal chemical projects and commencement of construction of large-scale and modern power plants in succession, the industrial structure of the Company has been further optimised.

The Company's capital expenditure for 2017 was budgeted at RMB15.215 billion, of which RMB9.980 billion or 65.59% was invested during the reporting period.

Performance of Capital Expenditure Budgeted for 2017 (By Item)

Unit: RMB100 million

Items of capital expenditure	**Budgeted investment in 2017**	Actual investment in 2017	Investment ratio (%)
Total	**152.15**	99.80	65.59
Infrastructure projects	**125.37**	80.90	64.53
Equity investment	**13.65**	4.64	33.99
Acquisition and maintenance of fixed assets	**13.13**	14.26	108.61

Performance of Capital Expenditure Budgeted for 2017 (By Business Segment)

Unit: RMB100 million

Business segment	**Budgeted investment in 2017**	Actual investment in 2017	Investment ratio (%)
Total	**152.15**	99.80	65.59
Coal	**70.14**	55.98	79.81
Coal chemical	**23.93**	10.31	43.08
Coal mining equipment	**1.10**	0.91	82.73
Power generation	**56.98**	32.60	57.21
Other	**0.00**	0.00	0.00

Capital Expenditure

In 2017, the Company's external equity investment was RMB464 million, representing a year-on-year decrease of RMB1.093 billion or 70.20%. The main investment projects included: payment for the integrated local coal mines in Pingshuo East Open Pit Mine, payment for the acquisition of 45% equity interests of Shanxi Xiaohuigou Coal Industry Company Limited and payment for the acquisition of 51% equity interests of Muduchaideng Coal Mine. The above mentioned three acquisitions were financed through self-owned funds.

2. Progress of Key Projects

In 2017, the Company strongly advanced the preliminary work of the projects while keeping an eye on the national policy trend and seizing the policy window period of release of advanced production capacity. The overall planning for mining areas such as Nalin River and Yuheng North Mining Areas were approved. Also, Muduchaideng Coal Mine and Nalin River No. 2 Coal Mine obtained approval. The construction of key projects made significant progress.

With a total investment of RMB7.198 billion, Nalin River No. 2 Coal Mine project will build an 8 million tonnes/year coal mine and an auxiliary coal preparation plant. In 2017, the investment was RMB523 million, with the cumulative investment of RMB7.032 billion. The project has been granted and approved. The project construction goes smoothly currently and the project is expected to begin trial operation in 2018.

With a total investment of RMB6.021 billion, Muduchaideng Coal Mine project will build a 6 million tonnes/year coal mine and an auxiliary coal preparation plant. In 2017, the investment was RMB485 million, with the cumulative investment of RMB6.417 billion. The project has been granted and approved. The project construction goes smoothly currently and the project is expected to begin trial operation in 2018.

With a total investment of RMB3.698 billion, Shanxi Xiaohuigou Coal Mine project will build a 3 million tonnes/year coal mine and an auxiliary coal preparation plant. In 2017, the investment was RMB430 million, with the cumulative investment of RMB2.082 billion. All the formalities of the project have been completed. The project construction goes smoothly currently and the project is expected to begin trial operation in 2018.

Dahaize Coal Mine project will build a 15 million tonnes/year coal mine and an auxiliary coal preparation plant. The adjusted total investment is RMB12.994 billion. The project has completed some formalities such as "Reply on Agreement on Implementation of Preliminary Work of Dahaize Coal Mine in Shaanxi Yuheng Mining Area", "Approval on Capacity Replacement Scheme of Dahaize Coal Mine in Shaanxi Yuheng Mining Area", "Approval on Overall Plan (Revision) of North Area of Shaanxi Yuheng Mining Area", the Prospector License and the Permission Notes for Project Location. The Company is actively pushing forward the approval progress of the project.

With a total investment of RMB6.773 billion, the new Pingshuo Company 2×660MW low calorific value coal power project will have a generating capacity of 2×660MW after completion. In 2017, the investment was RMB782 million, with the cumulative investment of RMB2.508 billion. The project has been granted and approved. The project construction goes well currently. The two generation sets are expected to begin trial operation in the second half of 2018.

With a total investment of RMB4.725 billion, the project of Second Power Plant located in the north of Wucai Bay, Zhundong, Xinjiang will have a generating capacity of 2×660MW after completion. In 2017, the investment was RMB1.404 billion, with the cumulative investment of RMB2.434 billion. The project has been granted and approved. The project construction goes well currently. The two generation sets are expected to begin trial operation in the second half of 2018.

With a total investment of RMB3.377 billion, the new Shanghai Energy Company 2×350MW "building large-scale ones and decommissioning small-scale ones" thermal power project will have a generating capacity of 2×350MW after completion. In 2017, the investment was RMB963 million, with the cumulative investment of RMB1.661 billion. The project has been granted and approved. The project construction goes well currently. The two generation sets are expected to begin trial operation in the second half of 2018.

With a total investment of RMB10.664 billion, Mengda Engineering Plastics Project will have an output of 600,000 tonnes/year of polyolefin after completion. In 2017, the investment was RMB425 million, with the cumulative investment of RMB9.187 billion. The project has been completed and was put into normal operation in August 2017.

With a total investment of RMB4.392 billion, Pingshuo Inferior Coal Comprehensive Utilisation Demonstration Project has an output of 300,000 tonnes/year of synthetic ammonia, 400,000 tonnes/year of porous ammonium nitrate and 110 million m^3/year of natural gas after completion. In 2017, the investment was RMB170 million, with the cumulative investment of RMB4.544 billion. The approval procedures such as project filing have been completed mostly. The project has been put into trial operation stage.

II. ARRANGEMENT FOR CAPITAL EXPENDITURE IN 2018

In line with the general working keynote of "Seeking Progress in Stability" and the general layout of the "Thirteenth Five-Year Plan" of the Company, the Company will continue to adhere to the overall working principles of "quality improvement amid stability with reform and innovation" with respect to its capital expenditure plan in 2018. Furthermore, the Company will pay close attention to economic situation and industry development trends and focus on structural adjustment as well as transformation and upgrading. Considering the current balance sheet, financial position and financing capability, the Company diverts its investment primarily to coal, coal chemical and power generation industries in accordance with the principles of keeping expenses within its income, being stringent and tightened, observing laws and regulations and highlighting priorities.

The Company's capital expenditure budgeted for 2018 is RMB16.300 billion, representing an increase of RMB1.085 billion or 7.13% compared with that of 2017. Out of the capital expenditure budget stated above, RMB12.108 billion will be invested in infrastructure projects; RMB1.586 billion will be invested in the acquisition of fixed assets, small scale construction, renovation and maintenance; RMB2.243 billion will be utilised in equity investment; and RMB363 million will be used in other projects.

Capital Expenditure

Capital expenditure budget by business segment:

Unit: RMB100 million

Business segment	**Budgeted investment in 2018**	Actual investment in 2017	Increase/decrease in capital expenditure budget in 2018 compared with actual investment in 2017 (%)	Percentage of total (%)
Total	**163.00**	99.80	63.33	100.00
Coal	**93.61**	55.98	67.22	57.43
Coal chemical	**14.73**	10.31	42.87	9.03
Coal mining equipment	**2.67**	0.91	193.41	1.64
Power generation	**51.39**	32.60	57.64	31.53
Other	**0.60**	0.00	–	0.37

The major equity investment projects in 2018 include payment for the integrated local coal mines in Pingshuo East Open Pit Mine and other projects.

In 2018, the Company will arrange reasonable scale and pace of financing according to the needs of production and operation, and the budgeted capital expenditure. Detailed arrangements will be made with reference to the actual conditions of the Company.

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

III. CORPORATE DEVELOPMENT STRATEGY

Under the new normal of national economic and energy development, the Company will unswervingly adhere to its development philosophy, precisely capture opportunities and actively respond to challenges. In addition, the Company will expand industry advantages to compensate for its shortcomings in development and resolutely implement the "Thirteenth Five-Year Plan":

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

Capital Expenditure

Development Ideas: According to requirements for provider of clean energy of being market-oriented and focusing on optimising efficiency, the Company will strive to establish a new circular economic business line for coal, power and chemical, and to build a new regional layout of "full function, customised differentiation and complementary advantages" to deal with the critical relationships between short-term and long-term, reform and stability, as well as management control and vitality. The Company will be committed to making a good job on 5 key tasks which include safety and stability, quality and efficiency improvement, transforming and upgrading, reforming and adjusting, as well as consolidating the foundation. The Company will consciously implement the 5 key development concepts of making innovation, coordination, green, open and sharing.

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

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

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

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

Development Goal: To fundamentally complete the structure adjustment through a series of optimisation, adjustment, transformations and upgrades, to make the regional layout more harmonised, the industrial synergetic effects more remarkable, the results arising from service transformation outstanding, the corporate management more scientific and reasonable, the Company will further improve the comprehensive economic power, the sustainable development capability and the innovation initiatives of the employees; and to lay down a solid foundation for the Company to become a globally-competitive world-class clean energy supplier.

Technological Innovations

In 2017, China Coal Energy centred its technological innovations on ensuring safety production, promoting quality and efficiency improvement, driving transformation and upgrade and enhancing innovation-driven growth, and achieved great results in the R&D of key technologies, furthering of "mass entrepreneurship and innovation" works, promotion of technological achievements and construction of innovation capacities, rendering positive contribution to the innovative development of the enterprise.

I. NEW RESULTS ACHIEVED IN TECHNICAL R&D

In 2017, under the guidelines of solving problems, ensuring practicality and focusing on effectiveness, China Coal Energy organised technical R&D campaigns for key technical projects of the Company, second level enterprise technical projects and third level technical problems of production site, achieved a series of great results in the technical fields such as coal production, coal chemical and equipment manufacturing, and under the support of technological safeguard, serving ability achieved new elevation.

Ensuring safety production. The key scientific and technical projects implemented by the Company, such as comprehensive gas control technology, mine water disaster prediction and forecast technology, coal mine belt disaster emergency technology, effectively ensured the safe and efficient production of the gas-rich coal mines of the Company, while a set of other technical projects, such as soft rock mining and excavating technology research, security technology of efficient mining, ensured the safe and efficient construction and mining of the mines of the Company in Inner Mongolia and Shaanxi.

Supporting transformation and upgrade. With the key technological project, "Key Technology for Efficient and Rapid Excavation in Coal Roadway", the Company created a new record of advancing 1031 metres in a month in the coal roadway under the similar geological conditions in Inner Mongolia and Shaanxi areas. The chemical businesses of the Company took the lead in the coal chemical industry to successfully develop polyethylene chrome-related high-end products, filling the technical gap in the industry. The Company made breakthroughs in a series of high-end intelligent equipment, such as 3×1600kw intelligent AFC complete equipment, laser directional intelligent roadheader, working face automatic and centralised control system, which were launched successfully and received great welcome from the customers and promoted scientific progress in the industry. The Company successfully developed the first 8-metre mining height coal shearer in our country, which was a great breakthrough in the domestication of the imported coal shearer and would be of great importance in improving the core competitive competence of the coal machinery equipment manufacturing industry in our country. The successful initial development and application of integrated mechanized complete equipment for bauxite exploitation provided demonstration for the industrial transformation development of the equipment business of the Company. The mine water comprehensive utilisation technology developed by the Company could realise the recycling and processing of 1,600 tonnes of mine water per hour. Thanks to this, we not only met the production water supply requirement of Tuke Fertiliser Project of the Company, but also were able to supply water to the coal chemical projects of Mengda Company and Zhongtian Synergetic Company, achieving the efficient and comprehensive utilisation of the mine water resources.

Promoting quality and efficiency improvement in service. The 10-million-tonne level efficient and comprehensive key mining technology innovation and industrialization demonstration project reduced the electrical energy consumption per tonne of raw coal by 41.51% after running for 1 year in the demonstration working face of Pingshuo mining area, remaining a leading position in the industry. The coal chemical enterprises developed 14 new olefin products, which effectively met the market demand. The DMTO device olefin yield improvement technology effectively reduced the unit consumption of methanol in the production of olefin products in chemical industry. The Company continued to promote the domestication of the key components of the imported equipment. The Company successfully developed and promoted the electrohydraulic control system for hydraulic support to substitute for the imported products. The underground mining electromotor developed by the Company independently achieved the successful replacement of the imported products. The prototype of the 300-tonne electrical wheel motor for mining dump truck designed to substitute for the imported products was developed successfully.

II. GREAT RESULTS ACHIEVED IN THE FURTHERING OF "MASS ENTREPRENEURSHIP AND INNOVATION" WORKS

In 2017, the Company earnestly implemented the Guidelines on Furthering Mass Entrepreneurship and Innovation, and achieved great results in the furthering of "mass entrepreneurship and innovation" works.

Motivating entrepreneurship and innovation. The Company vigorously promoted initiative and craftsmanship spirit and encouraged exploration of various new practices, new mechanisms, new modes and new experiences in "mass entrepreneurship and innovation" under the guideline of solving production site technological problems and relying on the front-line engineers, technicians and employees. The subordinate enterprises established and improved the "mass entrepreneurship and innovation" working system, developed and implemented the relevant mechanisms, and systematically promoted the "mass entrepreneurship and innovation" works in three levels: key technology R&D of research institutions, production line technology R&D of grassroots innovation studios and innovation result transformation of "mass entrepreneurship and innovation" demonstration base, under guidelines of ensuring safety production, promoting quality and efficiency improvement, and supporting transformation and upgrade. The Company preliminarily formed a unique "mass entrepreneurship and innovation" mode of China Coal Energy of practical innovation, platform incubation, base demonstration and industry promotion, featuring integration of innovation, entrepreneurship and benefit-making.

Promoting the construction of "mass entrepreneurship and innovation" base. Through promoting the construction of "mass entrepreneurship and innovation" demonstration base, China Coal Zhangjiakou Coal Mining Machinery Company, a subsidiary of the Company, made significant breakthroughs in a series of leading coal machinery new products by following the market orientation, mastering the industry development trend and focusing on the high-end intelligent mining technology and equipment and non-coal diversified complete equipment under the guidance of Made in China 2025, with an aim to develop into a "mass entrepreneurship and innovation" demonstration base in mining equipment field in 3 years, drive the improvement in the overall competence in equipment manufacturing industry of the Company, and provide typical demonstration for the "mass entrepreneurship and innovation" works of the Company.

Achieving remarkable benefits through "mass entrepreneurship and innovation" activities. Taking the "mass entrepreneurship and innovation" works as the driving force, the Company focused on the innovation themes of "safety, economy and development", accumulatively established 79 innovation studios for grassroots employees, organised extensive production site technology R&D campaigns, "Five small technology R&Ds" and reasonable suggestion activities, and created remarkable economic benefits. The Company organised the selection and promotion of outstanding "mass entrepreneurship and innovation" results and the application of the advanced and applicable technological results, and preliminarily established the technical innovation promotion channels among the enterprises, thus accelerating the sharing, transformation and application of the technical innovation results in the whole company, and obtaining tangible economic benefits.

III. NEW PROGRESS IN IMPROVING R&D CAPACITY

In 2017, with the understanding that technical innovation system was the core for ensuring enterprise development, the Company continued to accelerate the construction of three-level innovation system which combined the technologies featuring the characteristics of China Coal Energy and the "mass entrepreneurship and innovation" works. Mengda Company and Ordos Energy Chemical Company were recognized as high-tech enterprises. The Company has currently established a comprehensive technical innovation system comprising a number of research and development centres, "mass entrepreneurship and innovation" demonstration bases, grassroots innovation studios and high-tech enterprises, and has made great progress in improving the independent innovation capacity construction.

In 2017, the Company received 20 industry and provincial level science and technology progress awards. The Company made application for 206 patents, including 58 invention patents, and was granted 143 patent licenses, including 46 invention patents. As a result, the competitiveness of the Company's core technologies was further enhanced.

Investor Relations

In 2017, under the principle of "openness, fairness and impartiality", and with an aim of strengthening the maintenance of investor relations and enhancing corporate governance, China Coal Energy kept frank and sufficient communications with its domestic and overseas investors as well as industry analysts through various channels including presentations of results, non-deal road-shows, investment forums, routine visits and telephone conferences, and held 91 investor meetings of various kinds with 901 attendees in total. These activities included 13 presentations of annual results and road-show meetings, quarterly report result telephone conferences with 319 attendees, 56 day-to-day receptions of investor visits and telephone conferences with 347 attendees, and 16 investment forums organised by domestic and overseas securities firms with 22 meetings with 235 attendees.

I. HOLDING PRESENTATIONS OF RESULTS AND RESULTS ROADSHOWS, AND ACHIEVING SUFFICIENT COMMUNICATION WITH CAPITAL MARKET

The Company paid great attention to the investor relation management. The Company's management attended the press conference and presentation of 2016 H Shares annual results in person, delivered a detailed briefing about the latest business results of the Company to the media and coal industry analysts, patiently answered the questions raised by investors, and achieved positive effects of communication. After the presentation of results, the Company held non-deal road-shows, visited important shareholders and potential institutional investors, discussed with them on key issues including the domestic macro economy and the trend of coal industry, which helped to deepen the investors' understanding towards the Company. The Company insisted on holding routine telephone briefings upon the release of the 2017 A Shares first quarterly report, the 2017 A Shares/H Shares interim report and the 2017 A Shares third quarterly report, introduced the Company's production and operation situations in 2017 to online investors at home and aboard, and responded to their main concerns on time and effectively.

II. STRENGTHENING COMMUNICATIONS WITH INSTITUTIONAL INVESTORS, AND ESTABLISHING SMOOTH COMMUNICATION CHANNEL

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

III. ORGANISING REVERSE ROAD-SHOW AND STRENGTHENING INVESTMENT CONFIDENCE OF IMPORTANT SHAREHOLDER IN THE COMPANY

The Company organised important shareholder to visit the coal chemical projects in Inner Mongolia-Shaanxi base, demonstrated the achievements that the Company had made promptly in response to the transformations and upgrades in the coal chemical operations. Through interactions, communications and field researches, the Company strengthened the understanding of important shareholder towards the production and operation aspects of China Coal Energy's coal chemical projects, further solidifying their confidence of investing in the Company.

IV. STRENGTHENING THE AWARENESS OF SERVING THE SHAREHOLDERS, AND PROTECTING THE LEGAL INTERESTS OF THE MINORITY INVESTORS

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

V. FOCUSING ON THE COLLECTION OF CAPITAL MARKET OPINIONS AND SUGGESTIONS, AND ENHANCING THE FEEDBACK TO THE COMPANY

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

Looking forward, China Coal Energy will continue to improve its investor relations management mechanism, further enhance the quality of investor communication, and look forward to obtaining more support and attention from investors.

Safety, Health, Environmental Protection and Social Responsibility

I. SAFETY PRODUCTION

In 2017, the Company strictly complied with the national regulatory requirements and policies on production safety. The Company highlighted key control areas, paid great attention to prevention and control of major disasters, reinforced safety fundamentals, intensified the commitment of responsibility and rigidly executed safety supervision, as a result, the situation of production safety maintained stable, and the enterprises in coal chemical, coal mine construction, electricity and equipment sectors realised safety production, with the mortality rate per 1 million tonnes of coal produced being 0.026.

Firstly, further implementing safety accountability. With a view to implementing the safety production responsibility system, responsibility undertakings were signed at each level to devolve and implement safety accountability. The safety responsibility mechanism and safety management system were constantly improved according to the principles of ‘two duties for one post, co-responsibility for the party and governmental official, and liability pursued for neglect of duty” and the requirement that “safety must be taken into account in the business management and the production and operation management”. The key points and responsibilities of the Company, subsidiaries, plants, mines, and working teams in respect of safety control were explicitly pointed out, and liability investigation and accountability was enhanced.

Secondly, constantly enhancing safety risk control efforts. The Company focused on the five major risks (gas, water disaster, lifting and transportation, roof and rock burst), entrusted dedicated scientific research institute to make “one ventilation and three prevention” technical analysis on the high gas and outburst mines, and organised experts to conduct special inspection and evaluation on the shaft lifting system, gas and water disaster. The Company also established coal mine key safety technology business consultation mechanism to promote the implementation of business security responsibility and effectively control major risks. The Company enhanced the safety control of the coal chemical enterprises. The major hazard source monitoring rate, automatic control rate of dangerous chemical process subject to supervision focus and utilisation rate of new coal chemical enterprise SIS system all reached 100%.

Thirdly, constantly strengthening safety production standardisation construction. The Company made great efforts to facilitate the “Trinity” standardisation construction of coal mine safety risk classification and control, hidden trouble inspection and management, and safety quality benchmarking. The Company improved the safety risk classification and control methods, revised the systems for, amongst others, safety production standardisation evaluation, and fully upgraded the enterprise benchmarks. Wangjialing Coal Mine, Yaoqiao Coal Mine, Kongzhuang Coal Mine and Xuzhuang Coal Mine were named as the “National First-Class Safety Production Standardisation Coal Mine”.

Fourthly, persistently strengthening safety supervision and inspection. Safety supervisions for key times were enhanced based on the characteristics and rules of safety work, always sustaining the high priority given to safety. The Company senior leaders personally led the several inspections and instructions on safety work at the grassroots units and at the underground mines. A number of comprehensive safety inspections were carried out to ensure the safety production at key times. The relevant units implemented safety responsibility guarantee based on the work deployment of the Company, and highlighted safety inspection of the key areas, critical parts and key points, thus ensuring uninterrupted on-site safety inspection and effectively eliminating safety loopholes.

Fifthly, further improving safety guarantee capability. The Company created strong security atmosphere by carrying out various safety activities, such as "March Safety Warnings", "Production Safety Month" and "100-day Safety", and enhanced its safety education and training by holding production safety training courses for mine managers in charge of mining production, organising safety and technology workshop. The company organised all the employees to study typical cases of safety accidents to further improve the safety awareness and standard of the employees. The Company improved the emergency rescue capabilities by holding the first coal mine rescue technology competition and coal chemical rescue technology competition in Pingshuo Company and Mengda Company respectively, and great results were achieved. For the first time, the Company established the China Goal United to participate in the 11th national mine rescue technology competition on behalf of the Company and obtained good result.

II. OCCUPATIONAL HEALTH

Adhering persistently to the occupational health guideline of "prevention first, integration of prevention and treatment and comprehensive treatment", the Company has improved its prevention and control system construction in an ongoing manner, strengthened training and education, secured capital investment, enhanced source treatment and reinforced supervision and inspection, and as a result, the Company's occupational health work has been running effectively in accordance with relevant laws and regulations. Firstly, the responsibility subjects were identified. The Company fully implemented the responsibilities of the occupational health subjects and created a people-oriented safe working environment by improving the occupational health management system construction, established the occupational health management mechanism and evaluation and assurance measures. Secondly, protection capacity was improved by enhancing education and training. The Company deepened the understanding of the employees on the occupational hazards factors, occupational diseases and the prevention, and further improved their self-protection capacities by strengthening the occupational health promotion, education and training. Thirdly, technical equipment was improved, and source treatment was strengthened. The Company invested in the effective protective facilities, equipment and materials, promoted advanced methods, improved production process and optimised protective facilities, in order to promote work in all areas by drawing upon the experience gained on key points and realise source management. Fourthly, health check monitoring was enhanced. The Company carried out occupational health check on the employees exposed to occupational hazards strictly according to the laws and regulations, in order to protect them from occupational hazards. Fifthly, the principle of "three simultaneous" construction for occupational health was observed, in order that the protective facilities for occupational hazards would be designed, constructed, put into production and used simultaneously with the main works of the coal mine, electricity and coal chemical construction projects, and the occupational health of the workers were protected. Sixthly, investments were increased. Sufficient occupational hazards prevention fund would be disbursed from the safety costs for the prevention and control of occupational hazards each year according to the on-site prevention and control needs, in order that sufficient funds are ensured, prevention and control measures are implemented, and on-site environments are improved.

Safety, Health, Environmental Protection and Social Responsibility

III. ENVIRONMENTAL PROTECTION

In 2017, the Company seriously implemented national laws and regulations on energy conservation and environmental protection, strictly complied with the policy requirements imposed by relevant national ministries on energy conservation and environmental protection, improved the mechanism of the working system, strengthened the efficiency of energy conservation and cost reduction, and highlighted the control of environmental protection risks, thus obtained positive results in the course of energy conservation and environmental protection. The Company achieved the annual control goals in regard to integrated energy consumption per RMB10,000 production output, emission of sulphur dioxide, chemical oxygen demand and NOx, and didn't record any great or more severe environmental incidents throughout the year of 2017.

Firstly, the green system was improved and the energy conservation and emission reduction management was enhanced. The Company strengthened the organisation management system, established or designated energy conservation and environment protection management institutes, deployed both full-time and part-time management personnel and improved the four-level organisation management network of "headquarters, subordinate enterprise, mine (factory) and sub-unit (workshop)". The Company enhanced the target management system, devolved the energy conservation and emission reduction assessment indexes to the subordinate enterprises and included into the "Responsibility Statement of Business Executives on Annual Operating Results" according to the evaluation target and the enterprise production and operation plan, strengthened the daily monitoring and inspection, strictly implemented the assessment reward and punishment system, and carried out annual evaluation on the energy conservation and environment protection of the subordinate enterprises. The Company also improved the mechanism management system, promoted the construction of the environment protection management system and energy management system of the subordinate enterprises in an orderly manner, and constantly optimised the energy conservation and environment protection management system.

Secondly, source management and control were enhanced, and full process management for the environment protection of construction projects was strengthened. The Company strictly carried out the evaluation on the environment impact of the construction projects according to the relevant environment protection laws, regulations and standards. The Company strictly implemented the environment protection measures and ensured the simultaneous design, construction and use of the environment protection facilities and main works. The Company strengthened the environment protection acceptance management and the operation management of environmental protection facilities, and basically met the emission reduction targets in full with regard to major pollutant sources and pollutants.

Thirdly, comprehensive treatment of air pollution was carried out, and pollutant emission was significantly reduced. The Company carried out power plant gas treatment, industrial coal-fired boiler modification and upgrade and coal dust control, and as a result, reached the standards for the discharge of main pollutants. The discharge had a significant year-on-year decline, and the air quality in the industrial and mining area was further improved.

Fourthly, waste water treatment for key areas was further enhanced, and the recycling level was improved. The water supply line project from the new energy chemical base at Wushen County, Ordos to Tuke industrial park was put into operation. At present, Ordos Energy Chemical Company, Yuanxing Company, and Mengda Company used the processed mine water for their productions, and all the production waste water was recycled, realising zero discharge. The strong brine recycling projects of Yuanxing Company and Ordos Energy Chemical Company produced acceptable sodium sulfate and sodium chloride products. The Company also modified and upgraded the coal mine waste water recycling facilities to improve the processing level and recycling efficiency.

Fifthly, ecology was restored and green mines were built. The Company combined the construction of green mine with production construction, land reclamation, water and soil conservation and local new village construction to realise the coordinated development of environment benefit, economic benefit and social benefit. By far, 9 mines, including Antaibao coal mine of Pingshuo Group and Yaoqiao coal mine of Shanghai Energy, were named as National Level Green Mine Pilot Unit. Pingshuo Group has afforested for more than 60 thousand mu, reclaimed land of more than 32 thousand mu. The vegetation coverage of the waste dump reached more than 90%, and the soil fertility, water and soil conservation, plantation varieties and biological species were improved and better than those before the development.

Sixthly, energy conservation management was deepened. The Company instructed the subordinate enterprises to carry out energy informatization management, planning, audit and benchmarking. Coal chemical companies, such as Shaanxi Company and Mengda Company, established energy management informatization system to conduct real-time, accurate and dynamic monitoring on the energy utilisation status, and realised "shift tracking, daily balance and monthly settlement" of energy management.

Seventhly, carbon emission management was accelerated. The subsidiaries of the Company engaged in coal chemical and electricity industries specified the carbon emission management organisations and personnel, and completed the calculation and examination of the carbon emission historical data. The relevant business personnel participated the carbon emission management and transaction training organised by the Company and the local government for several times. The research on the carbon emission management mode and carbon asset management implementation scheme was initiated by the Company.

Eighthly, energy conservation and environment protection promotions and trainings were carried out, and their capacities were improved. By adopting a combination of on-site and video method, the Company organised special lectures on environmental protection policies and lectures on business management for all the employees of the Company, organised the energy conservation promotion week and low carbon day activities, and compiled and distributed the Summary of the Key Statements of General Secretary Xi Jinping on Ecological Civilization Construction and Green Development, and Collection of Energy Conversation and Environment Protection Laws, Regulations and Management Systems for the study of the employees to popularize the ecological civilization, green life and low carbon concept, and further enhance the awareness of and standards of the employees for carrying out energy conservation and environment protection in accordance with law across the Company.

IV. SOCIAL RESPONSIBILITY

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

Directors, Supervisors, Senior Management and Employees

I. GENERAL INFORMATION ON DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Unit: Share

Name	Position held (Notes)	Gender	Age	Effective date of appointment	Termination date of appointment	Shareholding at the beginning of the year	Shareholding at the end of the year	Changes in shareholding during the year	Reasons of change	Total remuneration before tax received from the Company during the reporting period (RMB ten thousand)	Whether receiving remuneration from related parties during the reporting period
Li Yanjiang	Chairman	Male	60	October 2015	June 2018	0	0	0	–	0	Yes
	Executive Director			June 2015							
Peng Yi	Non-executive Director	Male	55	June 2015	March 2017	0	0	0	–	0	Yes
	Vice Chairman, Executive Director			March 2017	June 2018						
Liu Zhiyong	Non-executive Director	Male	60	June 2015	June 2018	0	0	0	–	0	No
Du Ji'an	Non-executive Director	Male	56	June 2017	June 2018	0	0	0	–	0	Yes
★Niu Jianhua	Executive Director	Male	55	December 2017	June 2018	0	0	0	–	17.4	Yes
	President			August 2017	June 2018						
Xiang Xujia	Non-executive Director	Male	48	June 2015	June 2018	0	0	0	–	0	Yes
Zhang Ke	Independent Non-executive Director	Male	64	June 2015	June 2018	0	0	0	–	30	No
Zhang Chengjie	Independent Non-executive Director	Male	63	June 2017	June 2018	0	0	0	–	15	No
Leung Chong Shun	Independent Non-executive Director	Male	52	June 2017	June 2018	0	0	0	–	15	No
▲Zhao Pei	Independent Non-executive Director	Male	68	June 2015	June 2017	0	0	0	–	15	No
▲Ngai Wai Fung	Independent Non-executive Director	Male	55	June 2015	June 2017	0	0	0	–	15	No
◆▲Gao Jianjun	Executive Director, President	Male	58	June 2015	March 2017	0	0	0	–	12.2	No
Zhou Litao	Shareholder Representative Supervisor	Male	57	June 2015	June 2018	0	0	0	–	0	Yes
Wang Wenzhang	Shareholder Representative Supervisor	Male	52	June 2017	June 2018	0	0	0	–	23.8	No
◆●Zhang Shaoping	Employee Representative Supervisor	Male	53	June 2015	June 2018	0	0	0	–	55.0	No
▲Zhao Rongzhe	Shareholder Representative Supervisor	Male	52	June 2015	March 2017	0	0	0	–	0	Yes
◆●Qi Hegang	Vice President	Male	58	June 2015	June 2018	0	0	0	–	68.9	No
◆●Pu Jin	Vice President	Male	57	June 2015	June 2018	0	0	0	–	70.6	No
●Chai Qiao lin	Chief Financial Officer	Male	49	January 2017	June 2018	0	0	0	–	56.9	No
●Ma Gang	Vice President	Male	48	August 2017	June 2018	0	0	0	–	18	No
●Ni Jiayu	Vice President	Male	46	August 2017	June 2018	0	0	0	–	14.7	No
◆●Zhou Dongzhou	Secretary to the Board and Company Secretary	Male	59	June 2015	June 2018	0	0	0	–	66.2	No
Total	/	/	/	/	/				/	493.7	/

Notes:

1. Remuneration of the above Directors, Supervisors and senior management is calculated based on the period during which they hold office.
2. The remunerations during the reporting period presented are the remunerations of Directors, Supervisors and senior management received from the Company.
3. ▲Mr. Gao Jianjun resigned on 17 March 2017 due to personal reasons.
   Mr. Zhao Pei and Mr. Ngai Wai Fung resigned in June 2017 due to expiry of term of office.
   Mr. Zhao Rongzhe resigned on 22 March 2017 due to job rotation.
4. ◆The percentage of the performance-based salary paid for the current period was 70% (including the deferred performance-based salary in the previous year).
5. ●The performance-based salary of the year was not pre-paid, and will be paid next year.
6. ★All the salaries received were deferred performance-based salaries.

Directors, Supervisors, Senior Management and Employees

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

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

Directors

1. **Li Yanjiang**, aged 60, is the Chairman and Executive Director of the Third Session of the Board of the Company and Secretary of Party Committee of the Company. He currently serves as the Chairman of the Board and Secretary of Party Committee of China Coal Group. Mr. Li graduated from Fu Xin Mining Institute with a Bachelor's Degree and obtained the title of Researcher in January 1982. He served as the General Manager of China Coal International Economic and Technical Cooperation Corporation, the Chairman of the board of directors, General Manager and Deputy Secretary of Party Committee of China Coal Construction Group Corporation, the Director General of the Plan and Development Department of State Administration of Coal Industry, Director and the General Manager of China National Coal Industry Import and Export Group Corporation, the Secretary of Party Committee and the Vice President of China Coal Research Institute, the Chairman of the board of directors, Secretary of Party Committee and General Manager of China Foma (Group) Co., Ltd. as well as the Secretary of Party Committee and a Director of China National Machinery Industry Corporation, the Vice Chairman of the board of directors and the General Manager of China Coal Group and other positions. Mr. Li has long been engaged in areas of production, operation and management of coal enterprises, and has strong background in coal industry and extensive experience in corporate operation and management.

2. **Peng Yi**, aged 55, is the Vice Chairman and Executive Director of the Third Session of the Board of the Company and the Deputy Secretary of Party Committee of the Company. He currently serves as a Director and the General Manager of China Coal Group, Vice Chairman of Guoyuanshidai Coal Asset Management Company Limited and Chairman of Zhongtian Synergetic Energy Company Limited. Mr. Peng graduated in July 1984 from the Construction Engineering Department of Wuhan Construction Material Industry Institute (currently known as Wuhan University of Technology), obtained a Master's Degree in Business Administration (MBA) from Wuhan University in June 1999 and obtained a Doctor's Degree in economics from Wuhan University of Technology in 2011. Mr. Peng is also a Senior Engineer, a Senior Accountant and a Coal Industry Senior Professional Manager, and is entitled to special government allowance granted by the State Council. Mr. Peng was the Head of the Design Department of Central-South Architectural Design Institute, the Deputy Principal of Shenzhen Branch of Central-South Architectural Design Institute, Head of the Finance Department of Central-South Architectural Design Institute, Deputy General Manager, Chief Economist and Finance Manager of Wuhan Kaidi Electric Power Company Limited, Chairman of the Board of Wuhan Gelin Tiandi Environmental Protection Enterprises Group Company Limited, Chairman of the Board of Wuhan Kaidi Lantian Technology Company Limited, Executive Director, Executive Vice President and Chief Financial Officer of the First Session of the Board of the Company, Vice Chairman of the Second Session of the Board of the Company, the Vice General Manager and the Chief Accountant of China Coal Group. Mr. Peng has extensive experience in corporate management, capital operation and financial management.

Directors, Supervisors, Senior Management and Employees

3. **Liu Zhiyong**, aged 60, is a Non-executive Director of the Third Session of the Board of the Company, and currently serves as a professional External Director of a central enterprise, the professional External Director of China Coal Group, and a Non-executive Director of CRRC Corporation Limited. Mr. Liu graduated from Nanjing Political College majoring in political economy and obtained a Bachelor's Degree in economics in July 1988. He served as the Deputy Division Director, Division Director and Deputy Director General of the Third Secretary Bureau of the General Office of the State Council, Deputy Party Secretary of Liuzhou Municipal Government of Guangxi (secondment for 2 years), Administrative Commissioner and Deputy Director General of the Third Secretary Bureau of the General Office of the State Council, Inspector and Deputy Director General of the First Secretary Bureau of the General Office of the State Council (responsible for general affairs), and Executive Deputy Secretary of Party Committee of the General Office of the State Council. Mr. Liu is familiar with the macroeconomic policies, the organisational and human resources and other affairs in the PRC.

4. **Du Ji'an**, aged 56, is a Non-executive Director of the Third Session of the Board and the Deputy Secretary of Party Committee of the Company. He currently serves as the Deputy Secretary of Party Committee and Deputy General Manager of China Coal Group, and Vice President of Human Resources Work Committee of China National Coal Association. Mr. Du graduated from Shandong Institute of Mining and Technology (currently known as Shandong University of Science and Technology) majoring in coal mine construction in July 1983, and obtained a Doctoral Degree of engineering from China University of Mining and Technology in December 2013. He is a Professoriate Senior Engineer and a Senior Professional Manager in the coal industry, and he is entitled to special government allowance granted by the State Council. He served as the Secretary of the General Office of the Ministry of Coal Industry (deputy division chief level), Director of the General Office of China National Coal Industry Import and Export Corporation, Deputy Secretary of Party Committee of China Coal Comprehensive Utilization Group Corporation, Director of Human Resources Department, Deputy Director of Human Resources and Audit Committee and Assistant to the General Manager of China National Coal Industry Import and Export Group Corporation, Deputy Secretary of Party Committee, Secretary of Discipline Inspection Committee and Chairman of Labor Union of China National Coal Group Corporation, Deputy General Manager and Secretary to the Board of China National Coal Group Corporation and Chairman of the Board of SDIC Coal Co., Ltd. Mr. Du also served as the Chairman of the First Session of the Supervisory Committee of the Company. Mr. Du has extensive experience in corporate management, team construction, human resource development and management, corporate governance, etc.

5. **Niu Jianhua**, aged 55, is an Executive Director of the Third Session of the Board, the President and the Deputy Secretary of Party Committee of the Company. He currently serves at the Standing Committee of Party Committee of China Coal Group. Mr. Niu graduated from Shandong Institute of Mining and Technology (currently known as Shandong University of Science and Technology) in July 1984, majoring in Calculating Mathematics. In June 2011, he obtained an EMBA degree from Tsinghua University School of Economics and Management. He is also a Senior Engineer and a Senior Professional Manager in the coal industry. He served as a Cadre of the Human Resources Division of the China Coal Research Institute, and a Deputy Chief Staff Member and Chief Staff Member of Technical Cadre Division of the Cadre Department of China Unified Distribution Coal Mine Corporation, Chief Staff Member and a Deputy Division Chief of the Technical Cadre Division of the Personnel Department of the Ministry of Coal Industry, and Secretary of the General Office of the Ministry of Coal Industry; Secretary of the Board of Directors and Director of the General Office of China National Coal Industry Import and Export Group Corporation; Assistant to the General Manager and the Director of the General Office of China National Coal Group Corporation; Vice President of China Coal Energy Company Limited, an Executive Director of the Sales Company of China Coal Group; Deputy General Manager of China National Coal Group Corporation, etc. Mr. Niu has been working in the coal industry for more than 30 years. He is proficient in process of operation and management of coal enterprise and familiar with international and domestic coal and coal chemical market. He has rich experience in marketing and enterprise management.

6. **Xiang Xujia**, aged 48, is a Non-executive Director of the Third Session of the Board of the Company, and he currently serves as a Managing Partner of Guangdong Weimo Law Firm, and an Independent Director of Youngy Co., Ltd. and Guangzhou KDT Machinery Co., Ltd. Mr. Xiang graduated from Zhejiang University majoring in information science and electronic engineering, and obtained a Bachelor's Degree of engineering in July 1991. He obtained a Master's Degree of laws from Southwest University of Political Science and Law in June 2001 majoring in economic law. Mr. Xiang is a qualified lawyer in the PRC and has been a practicing lawyer for over 7 years. He was a lawyer and legal partner of Grandall Law Firm (Shenzhen), a lawyer of DeHeng Law Offices in Beijing, a compliance head, Assistant to the General Manager, Secretary of the board, and General Manager of assets management centre of Sino Life Insurance Co., Ltd., the General Manager and Chairman of the Board of Sino Life Asset Management Co., Ltd., a Director of Funde Resources Investment Holding Group Company Limited, a Director of Sino Life Asset Management (Hong Kong) Company Limited, the President of Shenzhen Funde Holding Group Co., Ltd. and the President of Shenzhen Funde Financial Investment Holding Limited. He has extensive experience in securities and finance, corporate governance, risk management and investment etc.

7. **Zhang Ke**, aged 64, is an Independent Non-executive Director of the Third Session of the Board of the Company, and currently serves as the Chairman and Principal Partner of Shine Wing Certified Public Accountants Company Limited, an Independent Director of Guiyang Longmaster Information &Technology Co., Ltd., and Net263 Ltd., an External Director of China National Salt Industry Corporation and a supervisor of China Minsheng Banking Corp., Ltd. as well as the Vice President of Chinese Institute of Certified Public Accountants and the Chief Supervisor of Beijing Association of Forensic Science. Mr. Zhang obtained a Bachelor's Degree in economics from the Industrial Economics Department of Renmin University of China in 1982. Mr. Zhang is a Certified Public Accountant and a Senior Accountant. Mr. Zhang served as the Department Manager of China International Economics Consultants Co., Ltd., Deputy Executive Officer of Zhongxin Accountants Firm, Deputy General Manager of Zhongxin Yongdao Accountants Firm, partner of Coopers & Lybrand International, General Manager of Zhongxin Yongdao Accountants Firm, Deputy Executive Director of Coopers & Lybrand (China). He was an Independent Non-executive Director of the Company from August 2006 to February 2013. Mr. Zhang has 30 years of experience in reviewing and analyzing financial statements of listed companies, and has extensive experience in dealing with internal and external auditors regarding the supervision of internal control and the auditing of financial statements.

8. **Zhang Chengjie**, aged 63, is an Independent Non-executive Director of the Third Session of the Board of the Company and External Director of China National Offshore Oil Corporation. Mr. Zhang graduated from North China Electric Power University with major in power system relay protection and automation. He served as the Deputy Secretary of Party Committee of North China Electric Power Institute, Vice Principal of North China Electric Power University, Secretary (director general level) of Party Committee of North China Electric Power University (Baoding), Deputy Secretary of Party Committee and Secretary of Discipline Inspection Committee of North China Electric Power University, Deputy Director and Party Branch Secretary of Human Resources Department of State Grid Corporation of China, Director of Human Resources Department, Assistant to the General Manager and Director of Human Resources Department of China Guodian Corporation as well as Vice General Manager and Party Leadership Group member of China Guodian Corporation. Mr. Zhang is familiar with the operation of the power industry, and develops extensive understanding on the developing trends in such industry. He has rich experience in human resources and corporate management.

9. **Leung Chong Shun**, aged 52, is an Independent Non-executive Director of the Third Session of the Board of the Company, partner of Woo Kwan, Lee & Lo. and Independent Non-executive Director of China National Material Company Limited, SSY Group Limited and China Medical System Holdings Limited. He served as an Independent Non-executive Director of China Communications Construction Company Limited. and China Metal Recycling (Holdings) Limited. Mr. Leung is a permanent resident of the Hong Kong Special Administrative Region. He graduated from the University of Hong Kong where he obtained a bachelor's degree in laws with honours. He is qualified as a solicitor in Hong Kong and England. Mr. Leung became a practicing lawyer in 1991, and was the Chief Representative of Woo Kwan, Lee & Lo. Beijing Office. Mr. Leung is familiar with corporate finance, M&A and IPO legal services. He has been involved in various listing and acquisition transactions of many Chinese H Share companies and red chip companies.

Supervisors

1. **Zhou Litao**, aged 57, is a Shareholder Representative Supervisor of the Third Session of the Supervisory Committee of the Company, and currently serve as the General Legal Counsel and a member of the Discipline Inspection Committee of China Coal Group, Executive Vice President of the Energy Law Academy of China Law Society, Chairman of Legal Issues Committee of China National Coal Association, a visiting professor of National Lawyers College, PRC, Vice Chairman of ICC China Commission on Environment and Energy and an arbitrator of China International Economic and Trade Arbitration Commission, Beijing Arbitration Commission and China Maritime Arbitration Commission. He graduated in 1983 from Hubei Institute of Finance (currently known as Zhongnan University of Economics and Law) with a major in law, and obtained an Executive MBA Degree from HEC Business School Paris, France in December 2007. He obtained a doctorate diploma and a Doctor's Degree in Law from China University of Political Science and Law in June 2011. Mr. Zhou is a senior economist and a qualified corporate legal advisor. He served as General Manager of Legal Affairs Department of China National Coal Group Corporation and Supervisor of the First Session and the Second Session of the Supervisory Committee of the Company. Mr. Zhou is familiar with the PRC Civil Law, Commercial Law and International Commercial Principles, and has rich experience in corporate legal management.

2. **Wang Wenzhang**, aged 52, is a Shareholder Representative Supervisor of the Third Session of the Supervisory Committee of the Company. He currently serves as the Deputy Director of the Supervision and Audit Department of China Coal Group, Manager of the Auditing Department of the Company, Member of the China Accounting Standards Advisory Committee of the Ministry of Finance, and a Management Accounting Specialist Consultant to the Ministry of Finance. Mr. Wang graduated from Anhui University of Finance and Economics with a Bachelor's Degree in Economics in 1995, and obtained a Postgraduate Diploma in Party School of the Central Committee of C.P.C in 2013. Mr. Wang is a Senior Accountant, National Accounting Leader and is entitled to special government allowance granted by the State Council. He was awarded as the 2015 National Advanced Accounting Work Individual, CFO for the Year 2014 in China, and 2015 China International Financial Excellence Talent. Mr. Wang is the guest instructor of universities including Central University of Finance and Economics and University of International Business and Economics. Mr. Wang served as Deputy Director of Finance Department, Director of Finance and Audit Department, and Manager of Finance Department in China Coal Construction Group Corporation, Deputy Director of Asset Finance Department, and Vice General Manager of Finance Management Department of China Coal Group and Supervisor of China United Coalbed Methane Corporation Ltd., Chief Accountant of China National Cotton Reserves Corporation and Chairman of the Board of CNCRC Guangzhou Company (to be established), and Chief Accountant of China Coal Construction Group Company Limited. Mr. Wang is familiar with corporate management, finance, accounting, auditing aspects etc. and has rich accounting practice experience.

3. **Zhang Shaoping**, aged 53, is the Employee Representative Supervisor of the Third Session of the Supervisory Committee of the Company and the Secretary of Party Committee and Deputy General Manager of China National Coal Development Company Limited. He graduated from Hebei Institute of Coal Mining and Civil Engineering majoring in industrial and civil construction in July 1986, and obtained a Bachelor's Degree in engineering. He is a Senior Engineer and Senior Professional Manager of the coal industry. He served as a staff of Beijing Coal Planning and Design General Institute, staff and Chief Staff Member of China Unified Distribution Coal Mine Corporation, Chief Staff Member and Assistant Researcher of Policy and Regulation Department of the Ministry of Coal Industry, Deputy Director of the Office of China National Coal Sales and Transportation Corporation, Deputy Director and Director of the Party Committee Office and Director of Party Committee Work Department of China National Coal Industry Import and Export Group Corporation, Director of Party Committee Work Department of China Coal Group, the Secretary of the Party Committee, Deputy General Manager, Executive Director and General Manager of China National Coal Development Company Limited, and the Employee Representative Supervisor of the Second Session of the Supervisory Committee of the Company. Mr. Zhang has worked in the coal industry for an extensive period and has extensive understanding of the coal industry and rich experience in business management.

Senior Management

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

2. **Qi Hegang**, aged 58, is the Vice President of the Company, and currently serves as the Chief Engineer of China Coal Group, Expert Director of Guoyuanshidai Coal Asset Management Company Limited, Deputy Director of the Mining Committee of Coal Miners of Coal Industry Technology Committee and an adjunct professor of China University of Mining and Technology. He graduated from Shanghai Datun Intermediate Specialised Institute majoring in mining engineering, and obtained a Master's Degree in Engineering and an Executive Master degree in Business Administration from China University of Mining and Technology and the School of Economics and Management of Tsinghua University respectively. He is also a Professoriate Senior Engineer and a Senior Professional Manager in the coal industry. He served as the Head of Mine Design Division, Vice Chief Engineer, Deputy Head, and Head for the Yaoqiao Mine of Datun Coal and Electricity (Group) Company Limited, the Chief Engineer of Datun Coal and Electricity (Group) Company Limited and a Director of Shanghai Energy Company. Mr. Qi has been involved in the production, technology and management of coal mining work for an extensive period and has developed extensive knowledge of the coal industry. He has over 30 years of operational and managerial experience in the industry.

Directors, Supervisors, Senior Management and Employees

3. **Pu Jin**, aged 57, is the Vice President and a member of the Party Committee of the Company. He is currently also a member of the Party Committee of China Coal Group, an Executive Director of China National Coal Mining Equipment Company Limited, Vice President of China National Coal Machinery Industry Association, Executive Director of China Coal Society, Deputy Director of Machinery and Electrical Experts Committee of Coal Industry Technology Committee and Deputy Director of National Coal Industry "653" Expert Steering Committee. He graduated from China University of Mining and Technology in 1998 with a Master's Degree in engineering, and he obtained a Doctoral Degree in Management from the School of Management Science and Engineering of Tongji University in 2003. He is a Professoriate Senior Engineer, a National Senior Professional Manager and a Senior Professional Manager in the coal industry, and he is entitled to special government allowance granted by the State Council. He served as Assistant to the General Manager and Deputy General Manager of Automatic Engineering Division and Overseas Operations Division of China National General Machinery Corp. under the Ministry of Machinery Industry, General Manager of China Coal Shenzhen Company, General Manager of China Coal Southern Energy Resources Company Limited and Chairman of China National Coal Mining Equipment Group Corporation and other positions. Mr. Pu has extensive experience in enterprise management as well as solid theoretical expertise in coal mining machinery.

4. **Chai Qiaolin**, aged 49, is the Chief Financial Officer, a member of the Party Committee and the Manager of Finance Department of the Company. Mr. Chai currently serves as a member of the Discipline Inspection Committee of China Coal Group, a Director and the General Manager of China Coal Finance Co., Ltd. and the Chairman of the Board of Sunfield Resources Pty. Limited. Mr. Chai graduated in July 1991 from Beijing Institute of Economics majoring in public finance. Mr. Chai has been qualified as a Senior Accountant. Mr. Chai previously served in China Coal Overseas Development Co., Ltd., China National Coal Industry Import and Export Corporation as well as China National Coal Industry Import and Export Group Corporation, undertaking financial management affairs. Mr. Chai previously served as the Deputy General Manager in the Financial Management Department of China Coal Group and the Deputy Manager of the Financial Department of the Company. Mr. Chai has over 25 years of extensive experience in financial work in state-owned enterprises as well as over 10 years of experience in capital operation and financial management in listed companies.

5. **Ma Gang**, aged 48, is the Vice President and a member of Party Committee of the Company. He currently serves as a member of Party Committee of China Coal Group. He graduated from China Coal Economic College (currently known as Shandong Technology and Business University) majoring in accounting in July 1991, and obtained an EMBA degree from Tsinghua University in January 2013. He is a Senior Accountant. He served as the Deputy Division Chief of both the Financial Division of Pingshuo Coal Industry Company and the Administrative Office of Pingshuo First Coal Co., Ltd., Director of the Executive Office of Pingshuo Coal Industry Company and Manager of its Life Service Company, Deputy Chief Accountant and Director of the Finance & Assets Department of China Coal Pingshuo Coal Industry Company Limited, Chief Accountant and Deputy General Manager of China Coal Pingshuo Coal Industry Company Limited, and Chief Accountant, Deputy General Manager, General Manager and Executive Director of China Coal Pingshuo Group Company Limited. Mr. Ma has long been working in the coal industry and has rich practical experience in enterprise management, production and operation, as well as financial management.

6. **Ni Jiayu**, aged 46, is the Vice President and a member of the Party Committee of the Company. He currently serves as a member of Party Committee of China Coal Group and the Vice President of China Coal Education Association. He graduated from Harbin University of Science and Technology majoring in industrial design in July 1993, and obtained an MBA degree from Beijing University of Posts and Telecommunications in April 2002. He is a Senior Economist. He served as the Secretary of the Communist Youth League Committee of China Coal Construction Group Corporation, the Secretary of the Communist Youth League Committee, Deputy Director of the Work Department of Party Committee and Deputy General Manager of Human Resources Department of China National Coal Group Corporation, Manager of the Department of Human Resources and Director of the General Office of China Coal Energy Company Limited, Director of Party-Masses Work Department, Director of the Supervision and Audit Department, Director of the General Office and General Manager of Human Resource Management Department of China National Coal Group Corporation and etc. Mr. Ni has profound knowledge about the coal industry and extensive experience in human resource management and administrative management.

7. **Zhou Dongzhou**, aged 59, is the Secretary to the Board and the Company Secretary of the Company. He currently serves as the Vice President of the Listed Companies Association of Beijing. He graduated from China Mining College (currently known as China University of Mining and Technology) in July 1982 majoring in English where he also obtained a Master's Degree of Engineering in May 1997. He is an Associate Professor of Translation and a Senior Professional Manager in the coal industry. He served at China University of Mining and Technology, the Science and Education Department of the Ministry of Coal Industry, and served as Secretary of the General Office of the Ministry of Coal Industry and the General Office of State Administration of Coal Industry, Manager of the Market Development Department and Deputy Head of the Coal Trading Division of China National Coal Group Corporation, Deputy General Manager of China Coal Import and Export Company and Joint Company Secretary of the Company.

Directors, Supervisors, Senior Management and Employees

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. The remuneration and the decision-making procedures for the remuneration of Directors, Supervisors and Senior Management

Remuneration for Directors and Supervisors is subject to the approval of the Shareholders' general meeting, while the remuneration for senior management is subject to the approval by the Board. For the year of 2017, the total remuneration for Directors, Supervisors and senior management of the Company was RMB4.937 million (tax inclusive).

2. Basis for determining the remuneration of directors, supervisors and senior management

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

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

Directors, Supervisors, Senior Management and Employees

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

Name	Position Held	Changes	Reasons of Change
Peng Yi	Executive Director and Vice Chairman	Election	Elected as an Executive Director and the Vice Chairman at the third meeting of the third session of the Board of the Company in 2017
Du Ji'an	Non-executive Director	Election	Elected as a Non-executive Director at the 2016 annual general meeting
Niu Jianhua	Executive Director	Election	Elected as an Executive Director at the first extraordinary general meeting in 2017
	President	Appointment	Appointed as the President at the sixth meeting of the third session of the Board of the Company in 2017
Zhang Chengjie	Independent Non-executive Director	Election	Elected as an Independent Non-executive Director at the 2016 annual general meeting
Leung Chong Shun	Independent Non-executive Director	Election	Elected as an Independent Non-executive Director at the 2016 annual general meeting
Wang Wenzhang	Supervisor	Election	Elected as a Shareholder Representative Supervisor at the 2016 annual general meeting
Chai Qiaolin	Chief Financial Officer	Appointment	Appointed as the Chief Financial Officer at the first meeting of the third session of the Board of the Company in 2017
Ma Gang	Vice President	Appointment	Appointed as the Vice President at the sixth meeting of the third session of the Board of the Company in 2017
Ni Jiayu	Vice president	Appointment	Appointed as the Vice President at the sixth meeting of the third session of the Board of the Company in 2017
Zhao Pei	Independent Non-executive Director	Resignation	Expiry of the term of office
Ngai Wai Fung	Independent Non-executive Director	Resignation	Expiry of the term of office
Gao Jianjun	Executive Director and President	Resignation	Personal reasons
Zhao Rongzhe	Supervisor	Resignation	Job variation

Directors, Supervisors, Senior Management and Employees

V. EMPLOYEES OF THE COMPANY AND MAJOR SUBSIDIARIES

	Number of persons
Number of current employees in the Company	456
Number of current employees in major subsidiaries	26,570
Total number of current employees	44,356
Number of staff who have resigned or retired, for whom the Company and major subsidiaries are required to bear the relevant costs	0

Professional composition

Professional composition by type	**Number of persons of professional composition**
Production Staff	27,542
Sales Staff	957
Technical Staff	8,894
Financial Staff	795
Administrative Staff	3,295
Other Staff	2,873
Total	44,356

Education Level

Education level by type	**Number of persons**
Postgraduate or above	1,109
Undergraduate	11,258
Technical College	10,733
Below College	21,256
Total	44,356

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

VI. REMUNERATION POLICY

In terms of the strategy in relation to employees remuneration, the Company upheld the basic principle of “salary rises as benefits rise, compensation drops as benefits drop” and proactively constructed a dynamic allocation system linking salaries to corporate earnings, job value and individual performance. The Company further strengthened the reform of internal income distribution, strictly implemented performance-oriented principle of distribution, broadened the boundary of salary control and strictly controlled total labour costs in order to enhance management efficiency.

VII. TRAINING SCHEME

In 2017, the Company continued to perfect the construction of training system and focused on strengthening the ideological education, management capability and safe production awareness of its management staff and front-line staff. Meanwhile, the Company focused on cultivating outstanding young cadres to reserve talents for the Company’s development, and enriched the various training contents by introducing Party building, production, safety, management and other trainings. 829 management staff participated in the face-to-face training, while over 2,300 employees including the management team members of the secondary enterprises, department heads from the headquarters and middle-level cadres of the enterprises participated in the online course learning.

VIII. OUTSOURCING

Total number of outsourced working hours (hours)	36,478,000
Total amount of remuneration paid for outsourcing (RMB: one thousand)	1,116,460

Directors' Report

Dear Shareholders,

The board of directors (the "**Board**") of China Coal Energy Company Limited is pleased to present the directors' report of the Company and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2017 prepared in accordance with the IFRS.

I. PRINCIPAL OPERATIONS

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

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

II. OPERATING RESULTS

The financial and operating results of the Group for the year ended 31 December 2017 are set out in the section headed "Management Discussion and Analysis of Financial Conditions and Operating Results".

III. DIVIDENDS

On 20 March 2018, pursuant to the relevant PRC laws and regulations, the Board recommended the payment of cash dividends of RMB724,327,800 to the Shareholders, representing 30% of the net profit attributable to the equity holders of the Company for the year ended 31 December 2017, which was RMB2,414,426,000 as set out in the consolidated financial statements prepared in accordance with PRC GAAP. The proposed dividend distribution will be made based on the Company's entire issued share capital of 13,258,663,400 shares, representing a dividend of RMB0.055 per share (inclusive of tax). The above proposed profit distribution plan is subject to the approval of Shareholders at the 2017 annual general meeting. Cash dividends will be distributed to all Shareholders registered at the relevant record date upon approval.

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

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

An announcement containing information in relation to the latest registration date and the period of closure of share register for attending the 2017 annual general meeting of the Company to be held in 2018 and for receiving the final dividend for the year ended 31 December 2017, as well as the dividend distribution date will be published separately when the date of the 2017 annual general meeting of the Company is fixed.

Under relevant regulations of China Securities Depository and Clearing Corporation Limited Shanghai Branch and in line with the market practice regarding dividend distribution for A Shares, the Company will publish a separate announcement in respect of its dividend distribution to holders of A Shares after the Company's annual general meeting for 2017, which, among other things, will set out the record date and ex-rights date of dividend distribution for A Shares.

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

IV. SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, to the knowledge of the Directors, Supervisors and chief executive of the Company and as recorded in the register of interests required to be maintained pursuant to section 336 of the Securities and Futures Ordinance, the interests or short positions of the following persons (excluding Directors, Supervisors and chief executive) in the Company's shares or underlying shares were as follows:

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

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

Save as disclosed above, as at 31 December 2017, to the knowledge of the Directors, Supervisors and chief executive of the Company and as recorded in the register of interests required to be maintained pursuant to section 336 of the Securities and Futures Ordinance, there were no other persons who were interested or held short positions in the Company's shares or underlying shares.

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

As at 31 December 2017, none of the Directors, Supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as required to be recorded in the register of interests to be kept by the Company under Section 352 of the Securities and Futures Ordinance, or which are required to be notified to the Company and HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

As of 31 December 2017, the Company had not granted any right to any Director, Supervisor or chief executive of the Company or their spouses or children under 18 years of age to acquire shares or debentures of the Company or any of its associated corporations, nor did any of the above-mentioned individuals exercise any such rights to acquire the aforesaid shares or debentures.

As at 31 December 2017, save as Mr. Li Yanjiang, Mr. Peng Yi, Mr. Liu Zhiyong, Mr. Du Ji'an, Mr. Niu Jianhua and Mr. Xiang Xujia, there is no other Director who is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

VI. PUBLIC FLOAT

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

VII. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Directors Li Yanjiang, Peng Yi, Liu Zhiyong, Xiang Xujia and Zhangke and Supervisors Zhou Litao and Zhang Shaoping; New Directors Du Ji'an, Zhang Chengjie, Leung Chong Shun and New Supervisor Wang Wenzhang; and New Director Niu Jianhua entered into a service contract with the Company respectively on 16 June 2015, 26 June 2017 and 19 December 2017. Pursuant to the terms of the service contract, each of the Directors and Supervisors agrees to perform his duties as the Director or Supervisor. The term of service of Directors is from the date of appointment until the expiration of the term of the current session of the Board. The term of service of Supervisors is from the date of appointment until the expiration of the term of the current session of the Supervisory Committee.

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

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

Apart from the service contracts, for the year ended 31 December 2017, none of the Directors or Supervisors or their related entities is materially interested, whether directly or indirectly, in any transactions, arrangements or contracts of significance for the businesses of the Group to which the Company, the holding company of the Company, or any of its subsidiaries or fellow subsidiaries of the holding company is a party.

IX. REMUNERATION OF DIRECTORS AND SUPERVISORS

The details of the remuneration of Directors and Supervisors for the year ended 31 December 2017 are set out in the notes to the consolidated financial statements and the section headed "Directors, Supervisors, Senior Management and Employees" of this report.

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

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

X. PURCHASE, SALE OR REPURCHASE OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2017, the Company and its subsidiaries had not purchased, sold or repurchased any listed securities of the Company (the term "securities" has the meaning ascribed to it under the Hong Kong Listing Rules).

XI. PROPERTY, PLANT AND EQUIPMENT

The details of the changes in the property, plant and equipment of the Company for the year ended 31 December 2017 are set out in the notes to the audited financial statements for the year.

XII. DONATION

For the year ended 31 December 2017, the Company donated a total of RMB5,196,000 for charity and other donation purposes.

XIII. SUBSIDIARIES AND ASSOCIATES

The details of subsidiaries and associates of the Company as at 31 December 2017 are set out in the notes to the audited financial statements for the year.

XIV. PRE-EMPTIVE RIGHTS AND SHARE OPTION ARRANGEMENT

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

XV. MAJOR SUPPLIERS AND CUSTOMERS

The Group's major suppliers mainly provide the Group with raw materials such as trading coal and diesel oil. The major customers of the Group mainly include domestic electric power enterprises, iron and steel enterprises, coal production enterprises and chemical product manufacturing enterprises. During the year ended 31 December 2017, total values (not of a capital nature) of the contracts entered into between the Group and its top five suppliers accounted for less than 30% of the total values of the goods purchased. Total revenues from the top five customers of the Group also accounted for less than 30% of total amount of the revenue and other income of the Group during the year ended 31 December 2017.

XVI. MATERIAL CONTRACTS

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

XVII. CONNECTED TRANSACTIONS

The followings are the main connected transactions of the Group during the year of 2017:

(1) Continuing Connected Transactions

As a result of listing after restructuring and reform, there are connected transactions between the Group and China Coal Group. The daily continuing connected transactions between the Group and China Coal Group are conducted in the ordinary and normal course of business of the Company, and such transactions can prevent potential competition between coal products of the Group and those of China Coal Group, and enable the Group to secure products and services, such as coal products, integrated materials, engineering design and construction, land and property leasing, as well as financial services and other products and services from China Coal Group at market price through the ordinary course of business of the Group. Such transactions facilitate expansion of the Group's scale of operation, reduce uncertainty of transactions, lower transaction costs, strengthen capital management, prevent unnecessary disruptions to operations and avoid migration costs. The Group has entered into certain connected transaction agreements with China Coal Group. Meanwhile, there are also connected transactions between the Company and Shanxi Coking Coal Group, the substantial shareholder of China Coal Huajin Company, which is a significant subsidiary of the Company. Such transactions facilitate the Company in obtaining stable coal product supply, coal mine construction and related service at a market price. The transactions under these agreements constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The terms of the relevant connected transaction agreements, the annual caps for and the actual amount incurred in 2017 are as follows:

1. Coal Supply Framework Agreement

On 23 October 2014, the Company renewed the Coal Supply Framework Agreement with China Coal Group. The agreement is valid from 1 January 2015 until 31 December 2017, and is renewable upon expiry. On 27 April 2017, based on actual operation needs, the Company signed the Supplementary Agreement for Coal Supply Framework Agreement with China Coal Group to amend the pricing policy and other relevant contents of the above agreement and adjust the annual caps for the daily relevant connected transactions under the above agreement in 2017. Pursuant to the agreement, China Coal Group has agreed to exclusively supply the coal products produced from the mines owned by China Coal Group and its subsidiaries (excluding the Company) to the Group, and has undertaken not to sell any such coal products to any third party excluding the Company and the institutions designated by the Company. The Group is entitled to purchase coal products produced by third parties once the quantity or quality of coal products provided by China Coal Group and its subsidiaries (excluding the Company) cannot satisfy the requirements of the Group. The details are set out in the announcements of the Company dated 23 October 2014 and 27 April 2017.

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

The annual cap of coal purchase expenditure for 2017 payable by the Company to China Coal Group in respect of the supply of coal products produced at the coal mines under restructuring by China Coal Group to the Company for the year ended 31 December 2017 was RMB6.600 billion. The actual expenditure incurred was RMB3.629 billion.

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

On 23 October 2014, the Company renewed the Integrated Materials and Services Mutual Provision Framework Agreement with China Coal Group. The agreement is valid from 1 January 2015 until 31 December 2017, and is renewable upon expiry. Pursuant to the agreement, (1) China Coal Group and its subsidiaries (excluding the Group) shall supply the Group (i) production materials and ancillary services, including raw materials, ancillary materials, transportation, loading and uploading services, electricity and heat supplies, equipment maintenance and leasing, labour contracting and others; and (ii) social and support services including staff training, medical services and emergence rescues, communication, property management services and others; and (2) the Group and its subsidiaries shall supply China Coal Group and its subsidiaries (excluding the Group) (i) production materials and ancillary services, among others, including coal, coal mining facilities, raw materials, auxiliary materials, electricity and heat supplies, transportation, loading and uploading services, equipment maintenance and leasing, labour contracting and others; and (ii) exclusive coal export-related ancillary services including organising product supplies, performing coal blending, coordinating logistics and transportation, provision of port related services, arranging for inspection and quality verification and providing services relating to product delivery. The details are set out in the announcement of the Company dated 23 October 2014.

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

For the year ended 31 December 2017, (1) the annual cap of the expenses paid by the Company for raw materials and ancillary services and social and support services provided by China Coal Group and its subsidiaries (excluding the Group) for 2017 was RMB4.256 billion and the actual expenditure incurred was RMB3.184 billion; (2) the annual cap of the revenue from the provision of raw materials and ancillary services and coal export-related services to China Coal Group and its subsidiaries (excluding the Group) for 2017 was RMB740 million and the actual revenue was RMB702 million.

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

On 23 October 2014, the Company entered into the Project Design, Construction and General Contracting Services Framework Agreement with China Coal Group. The agreement is valid from 1 January 2015 to 31 December 2017 and is renewable upon expiry. Pursuant to the agreement, China Coal Group and its subsidiaries (excluding the Group) shall provide project design, construction and general contracting services to the Group, and take up projects subcontracted by the Group. The details are set out in the announcement of the Company dated 23 October 2014.

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

For the year ended 31 December 2017, the annual cap of the expenses paid by the Company for project design, construction and general contracting services provided by China Coal Group and its subsidiaries (excluding the Group) for 2017 was RMB4.380 billion and the actual expenditure incurred was RMB1.862 billion.

4. *Property Leasing Framework Agreement*

On 23 October 2014, the Company entered into the Property Leasing Framework Agreement with China Coal Group for a term of 10 years commencing from 1 January 2015, and is renewable upon expiry. The Property Leasing Framework Agreement entered with China Coal Group on 5 September 2006 has been terminated correspondingly. Pursuant to the agreement, China Coal Group and its subsidiaries (excluding the Group) have agreed to lease certain properties in the PRC to the Group for the general operation and ancillary purpose. The properties leased include 360 properties amounting to a total floor area of approximately 317,298.01 square metres and most of which are for production and operation usage. Details are set out in the announcement of the Company dated 23 October 2014.

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

The annual cap for 2017 in respect of property rentals paid by the Company to China Coal Group and its subsidiaries (excluding the Group) in respect of the structures and properties leased was RMB105 million. The actual rental incurred for the year ended 31 December 2017 was RMB82 million.

Directors' Report

5. Land Use Rights Leasing Framework Agreement

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

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

The annual cap for 2017 in respect of the land use rights rental paid by the Company to China Coal Group and its subsidiaries (excluding the Group) was RMB61 million. The actual rental incurred for the year ended 31 December 2017 was RMB50 million.

6. Financial Services Framework Agreement

On 23 October 2014, Finance Company, a controlling subsidiary of the Company, entered into the Financial Services Framework Agreement with China Coal Group. The agreement is valid from 1 January 2015 until 31 December 2017, and is renewable upon expiry. Pursuant to the agreement, Finance Company agrees to provide financial services such as deposit and loan services and financial leasing to China Coal Group and its subsidiaries (excluding the Group) and associates of China Coal Group. The details are set out in the announcement of the Company dated 23 October 2014.

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

The maximum daily balance of loans and financial leasing (including accrued interests) for 2017 granted by Finance Company to China Coal Group and its subsidiaries (excluding the Group) and associates of China Coal Group was RMB4.500 billion. The actual maximum daily balance incurred for the year ended 31 December 2017 were RMB3.517 billion; the annual cap for 2017 in respect of financial services fees charged by Finance Company for providing financial services to China Coal Group and its associates was RMB17 million, for the year ended 31 December 2017, the actual fees charged was RMB3 million.

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

On 23 October 2014, the Company entered into Coal and Coal Related Products and Services Supply Agreement with Shanxi Coking Coal Group. The agreement is valid from 1 January 2015 until 31 December 2017, and is renewable upon expiry. On 27 April 2017, based on actual operating needs, the Company signed the Supplementary Agreement for Coal and Coal Related Products and Services Supply Framework Agreement with China Coal Group to amend the pricing policy and other relevant contents of the above agreement and adjust the annual caps for the relevant daily connected transactions under the above agreement in 2017. Pursuant to the agreement, the Group has agreed to purchase the coal and coal related products and accept services from Shanxi Coking Coal Group, and Shanxi Coking Coal Group has agreed to purchase the coal and coal related products and accept services from the Group. The details are set out in the announcements of the Company dated 23 October 2014 and 27 April 2017.

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

The annual cap for 2017 in respect of the coal and coal related products purchased and services received by the Company from Shanxi Coking Coal Group during the year ended 31 December 2017 was RMB520 million. The actual amount incurred was RMB319,000. The annual cap for 2017 in respect of the coal and coal related products purchased and services accepted by Shanxi Coking Coal Group from the Company was RMB1.150 billion. The actual amount incurred was RMB439 million.

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

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

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

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

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

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

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

    2. on normal or more favourable commercial terms; and

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

The Company has confirmed that the specific agreements under the continuing connected transactions for the year ended 31 December 2017 mentioned above were entered into and executed in accordance with the pricing principles pertaining thereto.

(2) Renewal of Continuing Connected Transaction Agreements for 2018-2020 and Annual Caps for Renewal

The Coal Supply Framework Agreement, Integrated Materials and Services Mutual Provision Framework Agreement and Project Design, Construction and General Contracting Services Framework Agreement signed by the Company and China Coal Group in 2014, the Coal and Coal Related Products and Services Supply Framework Agreement signed by the Company with Shanxi Coking Coal Group, and the Financial Service Framework Agreement signed by the Finance Company, a controlling subsidiary of the Company with China Coal Group had expired by 31 December 2017. The Company renewed the aforesaid continuing connected transaction agreements on 27 April 2017, extending the agreement term for 3 years, which starts from 1 January 2018 and ends on 31 December 2020, and applied for the annual caps for the next 3 years ending 31 December 2020 for these agreements. For details, please refer to the relevant announcements published on the SSE Website, HKSE Website and the Company Website on 27 April 2017, 11 May 2017 and 26 June 2017 respectively.

(3) Non-continuing Connected Transactions

On 23 August 2017, Coking Company, a wholly-owned subsidiary of the Company, signed an equity transfer agreement with Jinzhong Energy Chemical, a wholly-owned subsidiary of China Coal Group, transferring 100% equity of Shanxi Coal Transportation and Sales Co., Ltd. (abbreviated as Shanxi Coal Transportation and Sales) and 100% of China Coal and Coke Holdings Limited (Tianjin) (abbreviated as Coke Tianjin Limited) held by the Company to China Coal Group. According to the equity transfer agreement, the total consideration for the transfer of the target equity by Coking Company to Jinzhong Energy Chemical should be RMB13.4214 million, and: (i) in respect of the transfer of 100% equity of Shanxi Coal Transportation and Sales., Jinzhong Energy Chemical should pay Coking Company RMB1.8931 million in lump sum within 15 working days after the effective date of the equity transfer agreement; (ii) in respect of the transfer of 100% equity of Coke Tianjin Limited, Jinzhong Energy Chemical should pay Coking Company RMB11.5283 million in lump sum within 15 working days after the effective date of the equity transfer agreement. As of 31 December 2017, the aforesaid payments had been fully made.

For details, please refer to the relevant announcement published on the SSE Website, HKSE Website and the Company Website on 23 August 2017.

On 27 October 2017, Pingshuo Company, a wholly-owned subsidiary of the Company, increased its capital contribution to Pingshuo Industrial Company, a wholly-owned subsidiary of China Coal Group with some of its assets and 80% equity of China Coal Pingshuo Explosion Equipment Company Limited it held; Equipment Company, a wholly-owned subsidiary of the Company, increased its capital contribution to Pingshuo Industrial Company, with the net assets of Pingshuo Maintenance Lease Center of China National Coal Mining Equipment Company Limited, and RMB300 million debts claimed by China National Coal Mining Equipment Company Limited to Pingshuo Maintenance Lease Center, and the 60% equity of China Coal Huayu Equipment Maintenance Co., Ltd. it held.

According to the capital increase agreements, Pingshuo Industrial Company intended to increase its registered capital by RMB1,571.3672 million, where: (i) Pingshuo Company would subscribe for RMB1,159.2639 million of the additional registered capital of Pingshuo Industrial Company, accounting for 21.41% of the registered capital of Pingshuo Industrial Company after capital increase; (ii) Equipment Company subscribed for RMB412.1033 million of the additional registered capital of Pingshuo Industrial Company, accounting for 7.61% of the registered capital of Pingshuo Industrial Company after capital increase; and (iii) China Coal Group would hold 70.98% of the equity of Pingshuo Industrial Company after capital increase.

For details, please refer to the relevant announcement published on the SSE Website, HKSE Website and the Company Website on 27 October 2017.

The above connected transactions are conducive to exerting the respective advantages of each of the Company and existing companies under China Coal Group and realising synergetic development through various reform measures such as optimising resources allocation and business restructuring and integration as well as promoting the main businesses by the Company through concentrating its advantageous resources, maintaining the business results of the Company and protecting the overall interests of the Company and its shareholders.

The Company incurred a transfer income of RMB25.446 million from the above assets and equity transfers during the reporting period.

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

XVIII. REDUCED HORIZONTAL COMPETITION

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

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

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

(1) Risks of Fluctuation in Macro Economy

The coal industry is a fundamental sector of the Chinese economy, which is closely linked to the macro economy and significantly affected by other relevant industries including electricity, metallurgy, construction materials and chemical industry. Currently, as the world's major developed economies still undergo the deep adjustment phase, China's economy has entered a new normal. There are still many unstable and uncertain factors affecting the macro economy in 2018, which may have significant impacts on the operating results of the Company. The Company will execute strict budget planning, strengthen regular monitoring and analysis, and enhance risk management so as to strive to achieve stable and orderly production and operation.

(2) Risks of Fluctuation in Product Prices

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

(3) Risks of Safe Production

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

(4) Risks of Project Investment

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

(5) Risks of Environmental Protection

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

(6) Risks of Rising Costs

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

(7) Risks of Foreign Exchange

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

XX. SIGNIFICANT EVENTS

(1) Share Capital Structure

As at 31 December 2017, the structure of the share capital of the Company was as follows:

Unit: Share

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

(2) Distribution of Final Dividends for 2016

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

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

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

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

For details, please refer to the announcements of the Company published on the SSE Website, the HKSE Website and the Company Website on 27 October 2017 and 19 December 2017.

(4) Transaction of Assets

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

(5) Other Significant Events

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

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

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

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

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

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

3. Matters in Relation to the Issuance of Corporate Bonds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

XXI. MATERIAL LEGAL PROCEEDINGS

As at 31 December 2017, the Company was not involved in any material litigations or arbitrations, and to the best knowledge of the Company, there was no pending, threatened or ongoing material litigation or claim against the Company as at 31 December 2017.

XXII. AUDITORS

The accounting firms engaged by the Company under PRC GAAP and IFRS were PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers respectively before 2016 (inclusive). The two firms had been the audit service providers of the Company for several years, and their tenure expired on 26 June 2017. According to the rules of the SASAC on rotation of accounting firms, the Company decided to replace the accounting firms. On 26 June 2017, the annual general meeting of the Company for 2016 approved the engagement of Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the auditors for interim financial report review, annual financial report audit and internal control audit of financial report under PRC GAAP and IFRS for 2017, who were selected through tender and selection process.

XXIII. TAXATION

The Company, according to the applicable tax laws and regulations, withheld and paid the relevant taxes for foreign non-resident enterprises or resident individual Shareholders when distributing the dividends for 2016.

XXIV. RESERVES

Details of changes in the reserves of the Group during 2017 are set out in the consolidated financial statements and the consolidated statement of changes in equity respectively.

As at 31 December 2017, reserves available for distribution by the Company in accordance with the laws and regulations of the PRC were RMB19.539 billion.

XXV. PENSION AND OTHER STAFF COST

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

XXVI. FINANCIAL SUMMARY

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

XXVII. PERMITTED INDEMNITY PROVISION

The Company has purchased liability insurance for its Directors, Supervisors and senior management. The insurance was effective in the fiscal year ending 31 December 2017 and remains effective as at the date of this Report. For details, please refer to the Corporate Governance Report section in this report.

XXVIII. MANAGEMENT CONTRACT

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

XXIX. SUBSEQUENT EVENTS

There are no material subsequent events for the Group.

China Coal Energy Company Limited
Chairman and executive director
Li Yanjiang

Beijing, China
20 March 2018

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

Supervisory Committee's Report

During the reporting period, with a view to protecting the interests of the Company and its shareholders, all members of the Supervisory Committee of the Company discharged their powers, duties and obligations with the utmost conscientiousness and lawfully exercised their supervisory functions in accordance with relevant requirements of the Company Law of the People's Republic of China, the Articles of Association and the Rules of Procedures of the Supervisory Committee of the Company and in strict compliance with the requirements of the Rules of Procedures of the Supervisory Committee. The Supervisory Committee has conducted supervision over the major decision-making, financial reports, connected transactions of the Company and the duties performed by the Directors and senior management of the Company through organising and convening meetings of the Supervisory Committee, attending Shareholders' general meetings and Board meetings, and participating in the supervision and examination on subsidiaries, thereby completing the work of the Supervisory Committee in a better way in 2017.

I. DETAILS OF MEETINGS OF THE SUPERVISORY COMMITTEE

Session of meeting	Date of meeting	Newspaper for information disclosure of the resolution	Date of information disclosure of the resolution
First meeting for 2017 of the third session of the Supervisory Committee	22 March 2017	China Securities Journal, Securities Daily	23 March 2017
Second meeting for 2017 of the third session of the Supervisory Committee	27 April 2017	Shanghai Securities News, Securities Times	28 April 2017
Third meeting for 2017 of the third session of the Supervisory Committee	23 August 2017	Shanghai Securities News, Securities Times	24 August 2017
Fourth meeting for 2017 of the third session of the Supervisory Committee	27 October 2017	Shanghai Securities News, Securities Times	28 October 2017

During the reporting period, the Supervisory Committee convened four on-site meetings with an attendance rate of 100% for each meeting, at which nineteen resolutions in relation to the Company's 2016 annual report and its summary, the first quarterly report for 2017, the interim report for 2017 and the third quarterly report for 2017 and others were considered and approved. The Supervisory Committee listened to two reports in relation to the work progress in 2016 and the work arrangement for 2017 regarding the Company's auditing work.

II. OPINIONS OF THE SUPERVISORY COMMITTEE IN RESPECT OF THE WORK OF THE COMPANY

In 2017, under a stable and improved domestic economy, as the supply-side structural reform being deepened constantly, the supply and demand of the coal market was basically balanced, and the coal industry benefits continued to improve. The company insisted on the working keynote of "quality improvement amid stability with reform and innovation", seized opportunities, and strived ahead, so that corporate profits soared, multiple operating indicators reached the best levels in recent years, and the Supervisory Committee is satisfied with the Company's accomplishments.

III. INDEPENDENT OPINIONS GIVEN BY THE SUPERVISORY COMMITTEE IN RESPECT OF THE FOLLOWING ISSUES OF THE COMPANY IN 2017

(I) Operation of the Company in 2017 in Accordance with the Laws

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

(II) Examination of the Financial Affairs of the Company

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

(III) Use of Proceeds

During the reporting period, the expended proceeds from A Share issuance amounted to RMB29 million while the accumulated expended proceeds amounted to RMB22,467 million. The actual expenses incurred were consistent with those the Company undertook to fund the projects. Furthermore, as approved on the third meeting for 2017 of the third session of the Board held on 23 August 2017, the Company was permitted to apply the idle proceeds of RMB3,355 million to replenish working capital temporarily, and also agreed to adjust the use of proceeds of RMB736 million which was funded from A Share issuance and planned to be invested in Xiaohuigou Coal Mine project.

(IV) Acquisition or Disposal of Assets by the Company

During the reporting period, China Coal and Coke Holdings Limited, a subsidiary of the Company, transferred its 100% equity interests in China Coal and Coke Holdings Limited (Tianjin) to China Coal Jinzhong Energy Chemical Company Limited. China Coal and Coke Holdings Limited transferred its 100% equity interests in Shanxi Coal Transportation and Sales Co., Ltd. to China Coal Jinzhong Energy Chemical Company Limited. Some of the Company's subsidiaries increased their investment in Pingshuo Industrial Company with their respective assets and equity. The above transactions were conducted in accordance with the principles of market pricing, and the considerations of these transactions were fair and reasonable. The Supervisory Committee did not identify any insider dealing or any circumstances that were detrimental to the interests of Shareholders or resulted in a dissipation of assets of the Company.

(V) Connected Transactions

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

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

The Supervisory Committee has duly reviewed the Assessment Report on Internal Control of the Company for 2017 and the Social Responsibility Report of the Company for 2017. The Supervisory Committee is of the opinion that the assessment report on internal control and the social responsibility report of the Company have given an objective and true picture of the conditions of the internal control and the performance of social responsibility of the Company. The Supervisory Committee has no dissenting opinion on the abovementioned two reports.

(VII) Implementation of Resolution of Shareholders' General Meetings

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

In 2018, the Supervisory Committee will continue to fulfill its duties faithfully and diligently in strict compliance with the Company Law, the Articles of Association of the Company and relevant provisions, and strive to fulfill its work with an aim to protect the interests of the Company and its Shareholders.

The Supervisory Committee of
China Coal Energy Company Limited
20 March 2018

Corporate Governance Report

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

1. OVERVIEW OF CORPORATE GOVERNANCE

The Company has established a corporate governance structure comprising the Shareholders' general meeting, the Board, the Supervisory Committee and the management team in accordance with the provisions of relevant laws and regulations including the Company Law and the Securities Law, so as to establish a check-and-balance mechanism with clear delineation of rights and responsibilities and standardised operation among the executive, decision-making and supervisory bodies and the management team. The Company has formulated a series of rules and regulations such as "Articles of Associations", "Rules of Procedures of Shareholders' General Meetings" and "Rules of Procedures of the Board of Directors". During the reporting period, the Company made amendments to the Articles of Association and the Rules of Procedures of the Board of Directors according to the provisions of the Company Law and the Constitution of the Communist Party of China and clarified that the Company should set up the Party organisation and related working organ and that the Party organisation should play the role of the leadership core and political core in the Company. The Company also clarified that when making decisions on significant matters such as direction of reform and development, key objectives, and priority operational arrangements of the Company, the Board of Directors should seek advice from the Party organisation. When the Board of Directors proposed to engage a management staff of the Company, the Party organisation should consider and provide their opinions on the candidate nominated by the Board of Directors or the President, or recommend relevant candidate to the Board of Directors or to the President. Through amendments to a series of rules and regulations such as the Articles of Associations, a system guarantee has been provided for the corporate Party organisation to play the leading role and the corporate governance structure has been further optimised. The corporate governance of the Company basically complies with the requirements of relevant regulations of the CSRC.

The Board has reviewed the documents regarding corporate governance adopted by the Company, and believes that such documents have met the relevant code provisions as set out under the "Corporate Governance Code" and the "Corporate Governance Report" set out in Appendix 14 of the Hong Kong Listing Rules. For the year ended 31 December 2017, the Company strictly complied with the aforementioned code provisions.

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

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

3. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 to the Hong Kong Listing Rules. Upon making specific enquiries, the Company confirmed that all Directors and Supervisors had complied with the Model Code throughout the year of 2017.

4. INTRODUCTION TO SHAREHOLDERS' GENERAL MEETING

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

Session of meeting	Date of meeting	Website for disclosure of the resolution	Date of disclosure of the resolution
2016 annual general meeting	26 June 2017	The website of the HKSE	26 June 2017
		The website of the Shanghai Stock Exchange	27 June 2017
2017 first extraordinary general meeting	19 December 2017	The website of the HKSE	19 December 2017
		The website of the Shanghai Stock Exchange	20 December 2017

Shareholders' General Meeting:

A total of twelve resolutions including resolutions on the Company's directors' report for 2016 and supervisory committee's report for 2016 were considered and approved by the Shareholders at the 2016 annual general meeting.

A total of four resolutions including resolutions on amendments to the Company's Articles of Association and Rules of Procedures of the Board were considered and approved by the Shareholders at the 2017 first extraordinary general meeting.

5. PERFORMANCE OF DUTIES BY DIRECTORS

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

The Board is responsible for supervising the preparation of financial statements for every financial period to ensure that the financial statements give a true and fair view of the financial position, operating results and cash flow of the Company during the reporting period. When preparing the financial statements for the year ended 31 December 2017, the Board has selected applicable accounting policies, and made prudent, fair and reasonable judgment and estimations and prepared the financial statements on an ongoing basis. The statement of responsibilities of the international auditors is set out in the independent auditor's report of this report.

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

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

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

		Attendance at the Board meeting						
Name of director	Independent or not	Required attendance at Board meetings this year	Attendance in person	Attendance by telecommunication	Attendance by proxy	Absence	Absent at two meetings in a row	Attendance at Shareholders' general meeting
Li Yanjiang	No	8	6	2	0	0	No	2
Peng Yi	No	8	6	2	0	0	No	2
Liu Zhiyong	No	8	5	2	1	0	No	2
Du Ji'an	No	4	4	0	0	0	No	1
Niu Jianhua	No	1	1	0	0	0	No	0
Xiang Xujia	No	8	5	2	1	0	No	2
Zhang Ke	Yes	8	5	2	1	0	No	2
Zhang Chengjie	Yes	4	4	0	0	0	No	1
Leung Chong Shun	Yes	4	4	0	0	0	No	1
Zhao Pei	Yes	4	2	2	0	0	No	1
Ngai Wai fung	Yes	4	2	2	0	0	No	1
Gao Jianjun	No	1	0	1	0	0	No	0

Note: Mr. Gao Jianjun resigned from the post of Director of the Company in March 2017. Mr. Zhao Pei and Mr. Ngai Wai Fung resigned on 26 June 2017 due to expiry of term of office. Mr. Du Ji'an, Mr. Zhang Chengjie and Mr. Leung Chong Shun were elected as Directors of the third session of the Board on 26 June 2017. Niu Jianhua was elected as Director of the third session of the Board in December 2017.

During the reporting period, the attendance rate of Li Yanjiang, Peng Yi, Du Ji'an, Niu Jianhua, Zhang Chengjie and Leung Chong Shun was 100% and the attendance rate of Liu Zhiyong, Xiang Xujia and Zhang Ke was 87%. The Company complied with all relevant code provisions in terms of the number of Board meetings held, procedures for convening Board meetings, minutes and records of Board meetings, rules of meetings and related matters. The attendance rate reflected that all Directors were diligent and responsible and were dedicated to promoting the interests of the Company and Shareholders as a whole.

During the reporting period, the attendance rate of each Director at Shareholders' general meetings was 100% and none of the Directors absent at two Board meetings in a row.

Number of Board meetings held during 2017	8
Including: Number of meetings held on-site	6
Number of meetings held by telecommunication	2
Number of meetings held on-site and by telecommunication	0

In 2017, the Board convened a total of eight meetings, at which all the resolutions were passed after consideration. Details of the meetings are as follows:

1. The first meeting for 2017 of the third session of the Board convened on 20 January 2017 by telecommunication considered and approved the resolution on the appointment of the chief financial officer of the Company.

2. The second meeting for 2017 of the third session of the Board convened on 17 March 2017 by telecommunication considered and approved the resolution on the resignation of Gao Jianjun.

3. The third meeting for 2017 of the third session of the Board convened on 22 March 2017 considered and approved 12 resolutions in relation to the "Annual Report for 2016 of the Company" and its summary, "Annual Results Announcement for 2016", "Directors' Report for 2016 of the Company", financial report for 2016 of the Company, proposed profit distribution plan for 2016 of the Company, 2017 capital expenditure plan of the Company, special report for deposit and actual application of the proceeds from the A share issuance by the Company for 2016, remunerations of the Directors and Supervisors of the Company for 2017, election of the Executive Director and Vice Chairman of the Company, election of two new independent non-executive Directors, election of non-executive Directors of the Company, "Assessment Report Regarding Internal Control For 2016 of the Company" and "Social Responsibility Report for 2016 of the Company". The two reports in regard to the performance of the 2016 capital expenditure plan and the implementation of resolutions of the Board of the Company for 2016 were heard at the meeting.

4. The fourth meeting for 2017 of the third session of the Board convened on 27 April 2017 considered and approved 10 resolutions in relation to the first quarterly report for 2017 of the Company, comprehensive risk management report for 2017 of the Company, amendments to the "Interim Procedures for Operational Performance Evaluation of Senior Management of China Coal Energy Company Limited", operational performance indicators of senior management for 2017 of the Company, amendments to the "Interim Procedures for Remuneration Management of Senior Management of China Coal Energy Company Limited", adding and adjusting of category and annual caps of connected transactions for 2017 of the Company, setting of the exempt annual caps of the continuing connected transactions for 2018-2020, Provision of Guarantee by China Coal Shaanxi Company for the Project Financing of Shaanxi Jingshen Railway Company Limited in Proportion to Shareholding, appointment of auditors for review of the interim financial reports for 2017 and audit of the annual financial reports for 2017 of the Company and convening of 2016 annual general meeting. The report in regard to the work progress in 2016 and work arrangement for 2017 of safety, health and environmental protection of the Company was heard at the meeting.

5. The fifth meeting for 2017 of the third session of the Board convened on 26 June 2017 considered and approved 2 resolutions in relation to the amendments to the Work Manual of Special Committees of the Board of the Company and adjustment to the members of the special committees of the Board of the Company. The report in regard to the work progress in 2016 and work arrangement for 2017 of internal audit was heard at the meeting.

6. The sixth meeting for 2017 of the third session of the Board convened on 23 August 2017 considered and approved 9 resolutions in relation to the interim report for 2017 of the Company, deposit and actual application of the proceeds from the A share issuance in the first half of 2017 of the Company, temporary replenishment of liquidity with the proceeds raised by the Company, Change of Use of the Part of Proceeds from A-Share Issuance in Investment Project, Negotiated Transfer of 100% Equity Interest in China Coal and Coke Holdings Limited (Tianjin) held by China Coal and Coke Holdings Limited, Negotiated Transfer of 100% Equity Interest in Shanxi Coal Transportation and Sales Co., Ltd. held by China Coal and Coke Holdings Limited, election of the Executive Director of the Company, appointment of the president of the Company and appointment of the vice presidents of the Company. The report in regard to Capital Increase and Equity Participation in Pingshuo Industrial Company by Pingshuo Group and Equipment Company with their relevant assets and equity was heard at the meeting.

7. The seventh meeting for 2017 of the third session of the Board convened on 27 October 2017 considered and approved 6 resolutions in relation to the third quarterly report for 2017, amendments to the Articles of Association, amendments to the Rules of Procedures of the Board, equity participation in Pingshuo Industrial Company by the subsidiaries of the Company with part of their assets and equity, remuneration payment plan of senior management of the Company for 2016 and annual base salary plan of senior management for 2017 and convening of the 2017 first extraordinary general meeting. The two reports in regard to the corporate matters on building of the enterprise specialising in energy development and service sectors as well as the demonstration of the feasibility study report on the technological transformation project of annual methanol output of 1 million tonnes from synthetic gas of China Coal Ordos Energy Chemical Company Limited were heard at the meeting.

8. The eighth meeting for 2017 of the third session of the Board convened on 19 December 2017 considered and approved the resolution in relation to the adjustment to part of the members of the special committees of the Board of the Company.

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

No.	Name	Date	Methods
1	The first meeting of the third session of the Board in 2017	20 January 2017	By telecommunication
2	The second meeting of the third session of the Board in 2017	17 March 2017	By telecommunication
3	The third meeting of the third session of the Board in 2017	22 March 2017	On-site
4	The fourth meeting of the third session of the Board in 2017	27 April 2017	On-site
5	The fifth meeting of the third session of the Board in 2017	26 June 2017	On-site
6	The sixth meeting of the third session of the Board in 2017	22 August 2017	On-site
7	The seventh meeting of the third session of the Board in 2017	27 October 2017	On-site
8	The eighth meeting of the third session of the Board in 2017	19 December 2017	On-site

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

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

During the reporting period, the independent Directors strictly complied with all relevant laws and regulations including the Company Law, "Guidance on Establishing Independent Directors System in Listed Companies", "Provisions on Strengthening the Protection of the Rights and Interests of Public Shareholders" as well as the rules and requirements under the Articles of Association, the "Work System of Independent Directors" and the "Annual Report Work System of Independent Directors". Independent non-executive Directors performed their duties independently and attended relevant meetings in 2017, investigated thoroughly in the Company's subsidiaries, seriously took part in the decision-making of the Company's significant matters, expressed independent opinions on relevant matters of the Company, and provided constructive advice and recommendations regarding the corporate governance of the Company, reform development and production and operation. During the course of performance of duties, independent Directors upheld the legal rights of Shareholders, especially the minority Shareholders independently and objectively, fully exploiting the functions of independent Directors.

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

(III) Implementation of Resolutions Passed at the Shareholders' General Meetings by the Board in 2017:

No.	Shareholders' General Meeting	Subject Matter	Status
1	2016 annual general meeting	To approve the appointment of external auditors for 2017	Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu were appointed as auditors for 2017 to provide review and audit services regarding the annual financial report in accordance with PRC GAAP and IFRS respectively
2	2016 annual general meeting	To approve the profit distribution plan for 2016	The final dividends for 2016 were paid to the A-share and H-share Stockholders respectively in July and August 2017.

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

As of 31 December 2017, there are five special committees under the Board, details of which are set forth below:

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

(I) Audit and Risk Management Committee

After consideration and approval of the Board, the audit and risk management committee made some adjustments in June 2017 and revised the relevant work manual and increased the relevant work according to the Company's development needs. After the adjustments, the audit and risk management committee comprises three independent non-executive Directors and two non-executive Directors. The "Work Manual of the Audit and Risk Management Committee of the Board" clearly defines the status, composition, terms of reference, decision-making procedures as well as rules of procedure of the audit and risk management committee. The audit and risk management committee is mainly responsible for supervising the truthfulness and completeness of the Company's financial statements, as well as the effectiveness of the Company's internal control and risk management system; engaging accounting firm and supervising its work; supervising and inspecting the financial management, risk management and internal control of the Company; reviewing the Company's annual and interim reports and profit announcements; preparing significant accounting policies and practices adopted by financial reports; and establishing a procedure for handling complaints regarding accounting and audit matters, potential illegal acts and doubtful accounting or audit matters. The responsibilities of the audit and risk management committee comply with the relevant requirements of the Hong Kong Listing Rules. The audit and risk management committee is accountable to the Board.

In 2017, the audit and risk management committee held a total of six meetings, at which the resolutions such as the Company's annual report, financial report and internal control report were considered, and the audit opinions of PricewaterhouseCoopers Zhong Tian on the Company's financial report for 2016 and the reports of Deloitte Touche Tohmatsu Certified Public Accountants LLP on the audit plan for 2017 were heard. All the resolutions were approved at respective meetings and all the members of the audit and risk management committee attended all the six meetings in person except for Zhang Ke (chairman) and Xiang Xujia (a member) on leave once respectively.

(II) Strategic Planning Committee

After consideration and approval of the Board, the strategic planning committee made some adjustments in June 2017 and revised the relevant work manual and increased the relevant work according to the Company's development needs. The strategic planning committee made adjustments again in December 2017 after consideration and approval of the Board. The adjusted strategic planning committee comprises three executive Directors, two non-executive Directors and one independent non-executive Director. The "Work Manual of the Strategic Planning Committee of the Board" clearly defines the status, composition, terms of reference, decision-making procedures as well as rules of procedure of the strategic planning committee. The strategic planning committee is mainly responsible for conducting studies regarding the Company's long-term development strategy, material investments, financing, capital operation plans, capital expenditure plans and providing recommendations to the Board, and is entitled to examine the implementation of the aforesaid matters. The responsibilities of the strategic planning committee comply with the relevant requirements of the Hong Kong Listing Rules. The strategic planning committee is accountable to the Board.

In 2017, the strategic planning committee held one meeting, at which the resolutions such as the resolutions in relation to the 2016 annual report and 2017 capital expenditure plan were considered and the report on the performance of the 2016 capital expenditure plan was heard. All the resolutions were approved at the meeting. All the members of the strategic planning committee attended the meeting.

(III) Remuneration Committee

After consideration and approval of the Board, the remuneration committee made some adjustments in June 2017 and revised the relevant work manual and increased the relevant work according to the Company's development needs. The adjusted remuneration committee comprises two independent non-executive Directors and one non-executive Director. The "Work Manual of the Remuneration Committee" clearly defines the status, composition, terms of reference, decision-making procedures as well as rules of procedure of the remuneration committee. The major responsibilities of the remuneration committee are to submit remuneration policies of the Directors and the senior management to the Board, to propose to the Board the remuneration of the Directors and the senior management, and assess the performance of the senior management. The responsibilities of the remuneration committee comply with the relevant requirements of the Hong Kong Listing Rules. The remuneration committee is accountable to the Board.

In 2017, the remuneration committee held three meetings, at which the resolutions such as the resolutions in relation to the remunerations of the Directors and Supervisors for 2017, operational performance indicators of senior management for 2017, as well as remuneration payment plan of senior management for 2016 and annual base salary plan of senior management for 2017 were considered. All the resolutions were approved at the meetings and all the members of the remuneration committee attended all the three meetings in person.

(IV) Nomination Committee

After consideration and approval of the Board, the nomination committee made some adjustments in June 2017 and revised the relevant work manual and increased the relevant work according to the Company development needs. The adjusted nomination committee under the Board comprises one executive Director and two independent non-executive Directors. The "Work Manual of the Nomination Committee of the Board" clearly defines the status, composition, terms of reference, decision-making procedures as well as rules of procedure of the nomination committee. It particularly requires that the chairman of the nomination committee is to be elected from the independent non-executive Directors. The major responsibilities of the nomination committee are to study the election criteria and procedures of the Directors and senior management of the Company, review the candidates for the Directors and senior management and give recommendations to the Board, and to assess the independence of the independent non-executive Directors. The responsibilities of nomination committee comply with the relevant requirements of the Hong Kong Listing Rules. The nomination committee is accountable to the Board.

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

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

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

In 2017, the nomination committee held two meetings, at which the resolutions in relation to the election of Executive Director, Vice Chairman, the election of two new Independent Non-executive Directors, the election of Non-executive Director and the appointment of President of the Company and others were considered. All the resolutions were approved at respective meetings and all the members of the nomination committee attended all the two meetings in person.

(V) Safety, Health and Environmental Protection Committee

After consideration and approval of the Board, the safety, health and environmental protection committee made some adjustments in June 2017 and revised the relevant work manual and increased the relevant work according to the Company development needs. After being adjusted again upon the Board's consideration in December 2017, the safety, health and environmental protection committee under the Board comprised two executive Directors, one non-executive Director and one independent non-executive Director. The "Work Manual of the Safety, Health and Environmental Protection Committee" clearly defines the status, composition, terms of reference, decision making procedures as well as rules of procedure of the safety, health and environmental protection committee. The safety, health and environmental protection committee is mainly responsible for the implementation of the Company's safety, health and environmental protection plans, supervision of the potential responsibilities, changes of laws and regulations and technological transformation related to safety, health and environmental protection issues. The safety, health and environmental protection committee is accountable to the Board.

In 2017, the safety, health and environmental protection committee held one meeting, at which the resolutions such as the 2016 annual report and the 2016 social responsibility report were considered, All the resolutions were approved at respective meetings and all the members of the safety, health and environmental protection committee attended the meeting.

7. CORPORATE GOVERNANCE FUNCTION OF THE BOARD

As approved by the general meeting of the Company held on 19 December 2017, amendments were made to the Board's rules of procedure. The Board is delegated to perform the following corporate governance functions: to formulate, review and make recommendations on the Company's corporate governance policies and practices; to review and monitor the professional training and continuous professional development of the Directors and senior management of the Company as well as the Company's policies and practices in legal compliance and regulatory requirements; to formulate, review and monitor the Code of Conduct and Compliance Manual (if any) for employees and the Directors; to review the Company's compliance with the Corporate Governance Code and disclosures made in the Corporate Governance Report; to formulate and review regularly Shareholders' communications policies to ensure their effectiveness.

During the reporting period, the Board reviewed and revised a series of corporate governance documents of the Company, including the Articles of Association, and monitored the implementation of these documents from time to time; reviewed and keenly organised professional training and continuous professional development for the Directors and senior management; reviewed and monitored the Company to identify any violation of laws and regulatory requirements; approved the Company's Corporate Governance Report for 2016 and authorised the disclosure of the same on the HKSE Website and the Company Website; and formulated, reviewed and supervised Shareholders communication policies to ensure their effectiveness.

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

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

9. THE CHAIRMAN AND THE PRESIDENT

In 2017, the Company's chairman was Mr. Li Yanjiang and its president was Mr. Niu Jianhua. The chairman and the president are two different positions with clearly delineated responsibilities. The chairman does not serve as the president concurrently, and the terms of reference of the chairman and the president are also clearly set out in writing. For details, please refer to the Articles of Association. Senior management of the Company other than Directors and Supervisors are responsible for the Company's daily business operations and their duties are set out in the section headed "Directors, Supervisors, Senior Management and Employees" of this report.

10. INSURANCE ARRANGEMENT

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

11. REMUNERATION OF AUDITORS

In 2017, the Group's international auditor was Deloitte Touche Tohmatsu, and the domestic auditor was Deloitte Touche Tohmatsu Certified Public Accountants LLP. The Group's annual audit fees for the year ended 31 December 2017 was RMB10,350,000 in aggregate, of which audit fees for internal control amounted to RMB900,000.

12. SUPERVISORS AND SUPERVISORY COMMITTEE

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

In view of Mr. Zhao Rongzhe's request for resignation as the Company's shareholder representative supervisor to the Supervisory Committee due to changes in his work, Mr. Wang Wenzhang was appointed as the shareholder representative supervisor after voting in the Supervisory Committee meeting and Shareholders' general meeting of the Company.

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

The Supervisory Committee held four meetings during the reporting period.

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

Supervisor	**Attendance in person**	**Attendance by proxy**	**Attendance rate (%)**
Zhou Litao	4	0	100
Zhao Rongzhe	1	1	100
Wang Wenzhang	2	0	100
Zhang Shaoping	4	0	100

13. ESTABLISHMENT AND IMPLEMENTATION OF ANCILLARY MECHANISMS

(I) Management of Connected Transactions

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

In 2017, the Company remained committed to its connected transaction budget management, monthly monitoring, cap alert and regular discussion mechanisms to reinforce the management foundation through the strengthening of compliance training, in-depth research and study, dynamic management and the regular update of connected party lists. With the help of electronic statistic software, the Company controlled the actual monthly amounts of connected transactions, analyzed and studied problems of related enterprises identified in the course of management of connected transactions to instruct and urge related enterprises to eliminate hidden problems, thus ensuring the continuing connected transactions do not exceed the annual caps. The Company further introduced an internal mechanism for reporting important information, and dynamically monitored and controlled the non-continuing connected transactions, to ensure the approval and disclosure procedures of non-continuing connected transactions were conducted in a timely manner.

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

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

1. *Statement of the Board*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(5) Measures for responding to material internal control deficiency

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

3. Review of Risk Management and Internal Control Systems

The Board regularly organises and conducts a review of the internal risk management and internal control system of the headquarter and subordinate enterprises, formulates the overall planning and objectives for the internal review of risk management and internal control systems, and carries out education and trainings regarding risk management and internal control every year. For the year ended 31 December 2017, the Board has conducted 3 reviews of the effectiveness of the internal risk management and internal control systems of the headquarter and its subordinate enterprises, the scopes of which covered each and every key aspect of the control systems including the financial control system, operation control system and compliance control system, such as development strategy management, investment management, contract management, finance management, capital raising management, material purchase management, infrastructure project management, safety production management, sales management, property right management, human resource management, and quality and technology management. After the reviews, the Company was of the view that the headquarter and subordinate enterprises had set up internal audit function, and the internal risk management and internal control systems of the headquarter and subordinate enterprises were effective and sufficient.

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

4. *Internal Audit*

According to the Identification Standards for Significant Defects of Risk Management and Internal Control of the Company, during the year ended 31 December 2017, there were no significant defects in the risk management and internal control of the Company, and the Board was of the view that the Company had maintained, in all material respects, effective internal control over financial reporting in accordance with the risk management and internal control systems and relevant financial reports and in compliance with the requirements of the Hong Kong Listing Rules.

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

Independent Auditor's Report

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of China Coal Energy Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 111 to 229, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

Deloitte. 德勤

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on coal mines related non-current assets As set out in Note 5(a) to the consolidated financial statements, owing to the unsatisfactory financial performance of certain of the Group's mines, the management identified four cash generating units ("CGU") relating to coal mines having impairment indications, the carrying amount of the related non-current assets is RMB25.28 billion as at 31 December 2017. The management performed impairment assessment to the GCUs, and recoverable amounts is the higher of fair value less costs of disposal and value in use. The impairment assessment involves the management's judgment in certain areas including the future coal price, production volume, cost of production, capital expenditures and the discount rate. We identified impairment assessment on coal mines related non-current assets as a key audit matter due to the significant amount of the non-current assets with impairment indications and the significant judgment made by the management in determining the recoverable amounts of the corresponding CGUs.	Our procedures in relation to impairment assessment on coal mines related non-current assets included: • Evaluating the design and implementation of the controls relevant to our audit on the impairment of the Group's non-current assets; • Identifying the key cash flow items in the cash flow projection based on the sensitivity analysis and challenging the basis of preparation of these cash flow items by reference to our knowledge of the related business and industry; • Challenging the parameters and data used in determining the discount rates used by management in impairment tests; • Comparing the current year actual results with the forecast information used in last year impairment assessment and investigating the causes of significant variances and checking whether these causes were considered and incorporated appropriately in the current year's impairment assessment; • Comparing input data to supporting evidence, including approved budgets and checking the consistency on the basis of preparation of the approved budgets with the approved budgets used in the last year's impairment assessment; and • Checking the arithmetical accuracy on the calculation of the present value of the discounted cash flows forecast prepared by the management.

Deloitte. 德勤

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

OTHER INFORMATION

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

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

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

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

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

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

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

Deloitte. 德勤

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

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

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

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

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

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

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

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

德勤

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
20 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000 (Restated)
Revenue	7	**81,123,232**	60,664,109
Cost of sales	10		
Materials used and goods traded		**(35,979,338)**	(25,403,283)
Staff costs		**(4,109,497)**	(4,053,659)
Depreciation and amortisation		**(6,060,223)**	(5,895,384)
Repairs and maintenance		**(1,650,956)**	(1,005,228)
Transportation costs and port expenses		**(9,389,544)**	(8,212,385)
Sales taxes and surcharges		**(2,265,396)**	(1,900,164)
Others		**(5,934,465)**	(4,171,908)
		(65,389,419)	(50,642,011)
Gross profit		**15,733,813**	10,022,098
Selling expenses	10	**(610,811)**	(624,533)
General and administrative expenses	10	**(4,085,978)**	(3,672,429)
Other income		**79,537**	13,300
Other gains and losses	8	**(1,661,093)**	398,899
Profit from operations		**9,455,468**	6,137,335
Finance income	9	**566,404**	614,468
Finance costs	9	**(3,818,113)**	(4,356,933)
Share of profits of associates and joint ventures		**1,122,493**	608,008
Profit before income tax		**7,326,252**	3,002,878
Income tax expense	13	**(1,653,744)**	(299,265)
Profit for the year		**5,672,508**	2,703,613
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss			
Fair value changes on available-for-sale financial assets, net of tax		**1,065**	(1,622)
Exchange differences arising on translation of foreign operations		**5,011**	25,676
Other comprehensive income for the year, net of tax		**6,076**	24,054
Total comprehensive income for the year		**5,678,584**	2,727,667

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

		Year ended 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
			(Restated)
Profit for the year attributable to:			
Equity holders of the Company		**3,489,890**	1,716,167
Non-controlling interests		**2,182,618**	987,446
		5,672,508	2,703,613_
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**3,495,966**	1,740,221
Non-controlling interests		**2,182,618**	987,446
		5,678,584	2,727,667
Basic and diluted earnings per share for the profit attributable to equity holders of the Company *(RMB)*	*15*	**0.26**	0.13

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	As at 31 December 2017 RMB'000	2016 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment	*16*	**128,330,785**	128,246,599
Investment properties		**82,493**	53,270
Mining rights	*17*	**32,758,671**	33,673,946
Intangible assets	*18*	**1,697,221**	1,443,284
Land use rights	*19*	**4,874,917**	5,038,319
Goodwill		**6,084**	6,084
Investments in associates	*20(b)*	**16,376,591**	12,008,565
Investments in joint ventures	*20(c)*	**2,626,321**	2,020,163
Available-for-sale assets	*21*	**3,491,691**	5,467,784
Deferred income tax assets	*33*	**2,783,753**	2,982,306
Long-term receivables	*22*	**462,139**	285,342
Other non-current assets	*23*	**6,554,876**	6,897,482
		200,045,542	198,123,144
Current assets			
Inventories	*24*	**7,447,250**	7,390,899
Trade and notes receivables	*25*	**15,513,610**	14,457,865
Prepayments and other receivables	*26*	**7,182,505**	7,428,699
Restricted bank deposits	*27*	**2,455,643**	1,919,510
Term deposits with initial terms of over three months	*27*	**6,174,311**	3,455,113
Cash and cash equivalents	*27*	**10,097,653**	9,920,542
		48,870,972	44,572,628
TOTAL ASSETS		**248,916,514**	242,695,772
Current liabilities			
Trade and notes payables	*28*	**22,492,310**	21,160,146
Accruals, advances and other payables	*29*	**14,514,646**	12,736,157
Taxes payable		**2,253,190**	1,769,663
Short-term bonds	*30*	**3,000,000**	3,000,000
Short-term borrowings	*31*	**6,956,033**	6,573,031
Current portion of long-term borrowings	*31*	**13,696,106**	16,161,810
Current portion of provision for close down, restoration and environmental costs	*34*	**18,950**	25,758
		62,931,235	61,426,565

Consolidated Statement of Financial Position

At 31 December 2017

		As at 31 December	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
			(Restated)
Non-current liabilities			
Long-term borrowings	*31*	**43,083,827**	43,496,933
Long-term bonds	*32*	**26,866,347**	25,900,417
Deferred income tax liabilities	*33*	**5,988,603**	6,738,669
Deferred revenue		**1,694,405**	801,552
Provision for employee benefits		**78,718**	70,936
Provision for close down, restoration and environmental costs	*34*	**1,346,848**	1,352,350
Other long-term liabilities	*35*	**824,012**	767,242
		79,882,760	79,128,099
Total liabilities		**142,813,995**	140,554,664
Equity			
Share capital	*36*	**13,258,663**	13,258,663
Reserves	*37*	**44,573,464**	43,345,400
Retained earnings	*37*	**31,179,158**	29,470,217
Equity attributable to equity holders of the Company		**89,011,285**	86,074,280
Non-controlling interests		**17,091,234**	16,066,828
Total equity		**106,102,519**	102,141,108
TOTAL EQUITY AND LIABILITIES		**248,916,514**	242,695,772

The consolidated financial statements on pages 111 to 229 were approved and authorised for issue by the Board of Directors on 20 March 2018, and are signed on its behalf by:

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to equity holders of the Company					
	Share capital	**Reserves**	**Retained earnings**	**Subtotal**	**Non-controlling interests**	**Total equity**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Balance at 1 January 2016 (originally stated)	13,258,663	42,775,332	27,673,574	83,707,569	16,574,854	100,282,423
Effect of business combination under common control *(Note 37(e))*	–	(3,977)	27,292	23,315	–	23,315
Balance at 1 January 2016 (restated)	13,258,663	42,771,355	27,700,866	83,730,884	16,574,854	100,305,738
Comprehensive income						
Profit for the year (restated)	–	–	1,716,167	1,716,167	987,446	2,703,613
Other comprehensive income, net of tax (restated)	–	24,054	–	24,054	–	24,054
Total comprehensive income (restated)	–	24,054	1,716,167	1,740,221	987,446	2,727,667
Appropriations *(Note 37)*	–	(45,011)	45,011	–	–	–
Share of other change of reserve of associates and joint ventures	–	(3,319)	3,319	–	–	–
Contributions	–	4,728	–	4,728	244,261	248,989
Dividends	–	–	–	–	(328,875)	(328,875)
Loss of control over subsidiaries	–	(4,854)	4,854	–	43,047	43,047
Acquisition of non-controlling interests	–	604,307	–	604,307	(1,453,905)	(849,598)
Others	–	(5,860)	–	(5,860)	–	(5,860)
Balance at 31 December 2016 (restated)	13,258,663	43,345,400	29,470,217	86,074,280	16,066,828	102,141,108

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to equity holders of the Company					
	Share capital *RMB*	**Reserves** *RMB*	**Retained earnings** *RMB*	**Subtotal** *RMB*	**Non-controlling interests** *RMB*	**Total equity** *RMB*
Balance at 1 January 2017 (originally stated)	**13,258,663**	**43,346,514**	**29,441,863**	**86,047,040**	**16,066,828**	**102,113,868**
Effect of business combination under common control *(Note 37(e))*	**–**	**(1,114)**	**28,354**	**27,240**	**–**	**27,240**
Balance at 1 January 2017 (restated)	**13,258,663**	**43,345,400**	**29,470,217**	**86,074,280**	**16,066,828**	**102,141,108**
Comprehensive income						
Profit for the year	**–**	**–**	**3,489,890**	**3,489,890**	**2,182,618**	**5,672,508**
Other comprehensive income, net of tax	**–**	**6,076**	**–**	**6,076**	**–**	**6,076**
Total comprehensive income	**–**	**6,076**	**3,489,890**	**3,495,966**	**2,182,618**	**5,678,584**
Appropriations *(Note 37)*	**–**	**1,226,056**	**(1,226,056)**	**–**	**–**	**–**
Share of other change of reserve of associates and joint ventures	**–**	**44,610**	**(44,610)**	**–**	**–**	**–**
Acquisition of a subsidiary under common control *(Note 37(e))*	**–**	**(39,328)**	**–**	**(39,328)**	**–**	**(39,328)**
Contributions	**–**	**–**	**–**	**–**	**51,173**	**51,173**
Dividends	**–**	**–**	**(516,851)**	**(516,851)**	**(822,251)**	**(1,339,102)**
Loss of control over subsidiaries	**–**	**(9,350)**	**9,350**	**–**	**(387,134)**	**(387,134)**
Others	**–**	**–**	**(2,782)**	**(2,782)**	**–**	**(2,782)**
Balance at 31 December 2017	**13,258,663**	**44,573,464**	**31,179,158**	**89,011,285**	**17,091,234**	**106,102,519**

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000 (Restated)
Cash flows from operating activities			
Cash generated from operations	39	**19,216,936**	12,718,301
Income tax paid		**(1,409,530)**	(649,725)
Net cash generated from operating activities		**17,807,406**	12,068,576
Cash flows from investing activities			
Purchases of property, plant and equipment		**(8,077,496)**	(8,061,784)
Proceeds from disposals of property, plant and equipment		**635,302**	1,449,019
Purchases of land use rights, mining rights and intangible assets		**(283,971)**	(954,332)
Purchases of investment property		**(31,595)**	–
Proceeds from disposals of land use rights, mining rights and intangible assets		**171,445**	26,653
Purchases of available-for-sale assets		**–**	(40,000)
Proceeds from disposals of available-for-sale financial assets		**13,305**	–
Increase in prepayments for investments		**–**	(262,454)
Payment for acquisition of subsidiaries, net of cash acquired		**–**	(64,815)
Proceeds received from disposal of a subsidiary		**–**	400,000
(Increase)/decrease in prepayment for investments		**(697,112)**	127,651
Net cash (outflows)/inflows on disposal of subsidiaries		**(252,689)**	737,288
Cash injections in associates and joint ventures		**(17,650)**	(614,957)
Dividends received		**137,435**	205,374
Loan repayment from an associate		**–**	3,100,000
Loan repayment from joint ventures		**1,052,000**	600,000
Loan repayment from parent company and fellow subsidiaries		**3,920,000**	4,660,000
Loan repayment from a subsidiary disposed of		**–**	1,560,227
A loan granted to an associate		**–**	(1,550,000)
A loan granted to a joint venture		**(102,000)**	(400,000)
Loans granted to parent company and fellow subsidiaries		**(5,123,312)**	(5,896,368)
Government grants received		**1,171,426**	184,715
Interest income on loans to fellow subsidiaries		**64,589**	65,700
Interest income on loans to joint ventures and an associate		**95,697**	122,031
Interest income on term deposits		**30,572**	220,380
(Increase)/decrease in placement of term deposits with initial terms of over three months		**(2,719,198)**	14,961,146
Net cash (used in)/generated from investing activities		**(10,013,252)**	10,575,474

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Cash flows from financing activities		
Proceeds from borrowings	**20,703,628**	13,604,995
Repayments of borrowings	**(22,952,113)**	(16,913,277)
Contributions from the Company's shareholders	**–**	4,728
Contributions from non-controlling interests	**51,173**	244,261
Dividends paid to the Company's shareholders	**(516,851)**	–
Dividends paid to non-controlling interests	**(716,701)**	(289,129)
Acquisition of non-controlling interest of a subsidiary	**(173,425)**	(675,624)
Acquisition of subsidiaries under common control	**(39,328)**	–
Interest paid	**(4,899,642)**	(5,854,082)
Net proceeds from issuance of long-term bonds	**997,000**	–
Repayment of long-term bonds	**–**	(15,000,000)
Net proceeds from issuance of short-term bonds	**2,992,500**	2,992,814
Repayment of short-term bonds	**(3,000,000)**	(2,000,000)
Bonds issuance costs	**(50,700)**	(66,150)
Net cash used in financing activities	**(7,604,459)**	(23,951,464)
Net increase/(decrease) in cash and cash equivalents	**189,695**	(1,307,414)
Cash and cash equivalents, at beginning of the year	**9,920,542**	11,219,561
Net foreign exchange (losses)/gains	**(12,584)**	8,395
Cash and cash equivalents at end of the year	**10,097,653**	9,920,542

1. GENERAL INFORMATION

China Coal Energy Company Limited (the "Company") was established in the People's Republic of China (the "PRC") on 22 August 2006 as a joint stock company with limited liability under the Company Law of the PRC as a result of a group restructuring of China National Coal Group Corporation ("China Coal Group" or the "Parent Company") in preparing for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Restructuring"). The Company and its subsidiaries (collectively the "Group") is principally engaged in mining and processing of coal, sales of coal and coal-chemical products, manufacturing and sales of coal mining machinery and finance services. The address of the Company's registered office is No.1 Huangsidajie, Chaoyang District, Beijing, the PRC.

The H shares of the Company have been listed on The Main Board of the Stock Exchange of Hong Kong Limited since December 2006, while its A shares have been listed on the Shanghai Stock Exchange since February 2008.

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

2. BASIS OF PREPARATION

2.1 Going Concern

As at 31 December 2017, the Group's current liabilities exceeded its current assets by approximately RMB14,060 million. When the Group needs money to repay the short-term debts or make investment, the Group can finance the fund by following ways:

- Short-term bonds of RMB10,000 million registered with National Association of Financial Market Institutional Investors in July 2016, of which RMB3,000 million had been issued in August 2016 and July 2017 respectively, and the remaining RMB4,000 million can be issued when necessary;

- Corporate bonds of RMB8,000 million to be issued, which had been approved by China Securities Regulatory Commission in December 2016, of which RMB1,000 million has been issued in July 2017, and the remaining RMB7,000 million can be issued when necessary;

- Long-term bonds of RMB10,000 million registered with National Association of Financial Market Institutional Investors in August 2017, the full amount can be issued when necessary;

- The Group's expected net cash inflows from operating activities for the next 12 months;

- Banking facilities available for draw-down of new loans when necessary; and

- Other sources of financing given the Group's credit rating and long-term relationship with reputable domestic banks and other financial institutions.

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

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

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

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

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

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

Amendments to IAS 7 Disclosure Initiative

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

A reconciliation between the opening and closing balances of these items is provided in Note 39(b). Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 39(b), the application of these amendments has had no impact on the Group's consolidated financial statements.

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

New and revised IFRSs in issue but not yet effective

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

IFRS

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

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

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

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

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39 *Financial Instruments: Recognition and Measurement*. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

IFRS 9 Financial Instruments (continued)

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impacts on initial application of IFRS 9:

Classification and measurement:

- Debt instruments classified as loans and receivables carried at amortised cost, such as trade receivables, other receivables, long-term receivables (other than finance lease receivables), and loans to fellow subsidiaries as disclosed in Notes 25, 26, 22 and 23 respectively: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9;

- Notes receivables classified as loans and receivables carried at amortised cost as disclosed in Note 25, except for certain group companies once entered into transactions of transfers of financial assets which results in derecognition and may affect the business model of notes receivables of those group companies which may be subsequently measured at FVTOCI, these financial assets are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding and will continue to be subsequently measured at amortised cost upon the application of IFRS 9.

- Listed equity securities classified as available-for-sale investments carried at fair value as disclosed in Note 21: these securities qualified for designation as at FVTOCI under IFRS 9, however, the fair value gains accumulated in the other reserves amounting to RMB12,345,000 as at 1 January 2018 will no longer be subsequently reclassified to profit or loss under IFRS 9, which is different from the current treatment. This will affect the amounts recognised in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income.

- Equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in Note 21: these securities qualified for designation as measured at FVTOCI under IFRS 9 and the Group will measure these securities at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the other reserve. Upon initial application of IFRS 9, available-for-sale investments of the Group measured at cost less impairment amounting to RMB3,458,605,000 as at 1 January 2018 will be designated to financial assets at FVTOCI;

- All other financial assets and financial liabilities will continue to be measured on the same basis as are currently measured under IAS 39.

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

IFRS 9 Financial Instruments (continued)

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of IFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under IAS 39 mainly attributable to expected credit losses provision on trade receivables, other receivables, long-term receivables and loans to fellow subsidiaries. Such further impairment recognised under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets at 1 January 2018.

Other than above, the directors of the Company do not expect IFRS 9 will have a material impact on the results and financial position of the Group.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

IFRS 15 Revenue from Contracts with Customers (continued)

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures in the consolidated financial statements, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

IFRS 16 Leases

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

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB929,929,000 as disclosed in Note 44, the directors of the Company do not expect the application of IFRS 16 would result in significant impact on the Group's results but it is expected that these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities unless they qualify for low value or short-term leases.

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments as disclosed in Note 42, which have been measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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

Business combinations

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation is initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Merger accounting for business combination involving entities under common control

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

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

Investments in associates and joint ventures

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

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

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

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

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

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

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

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

Leasing

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

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

Borrowing costs

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

Government grants

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefit costs

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

Short-term and other long-term employee benefits

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

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

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

Taxation

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

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

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

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

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

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

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

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

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

Mining rights

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred stripping costs

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

Provisions for close down, restoration and environmental costs

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

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

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

Investment properties

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets acquired separately

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

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

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

Inventories

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

Provisions

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

AFS financial assets

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

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

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

Impairment of financial assets

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss and financial liabilities at amortised cost. The Group determines the classification of its financial liabilities at initial recognition. The Group's financial liabilities including borrowings, trade and notes payables, other payables, short-term and long-term bonds and other long-term liabilities, are recognised initially at fair value, net of directly attributable transaction costs (if any).

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the profit or loss when the liabilities are derecognised. The effective interest rate amortisation is included in finance costs in the profit or loss.

Financial guarantee contracts

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

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

i. the amount of obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also the associated financial liabilities.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Impairment of tangible and intangible assets other than goodwill

Where an indication of impairment exists, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is charged to the profit or loss as other gains and losses.

An assessment is made at the end of each reporting year as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the profit or loss in the year in which it arises.

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(a) Impairment of non-current assets

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

Impairment assessment of non-current assets in the coal segment

Owing to the unsatisfactory financial performance of certain of the Group's mines, based on management's assessment, the Group's non-current assets amounted to RMB25.28 billion, including mining rights, property, plant and equipment, land use rights, intangible assets and other non-current assets related to four cash generating units ("CGUs") in the coal segment, had indicators of impairment as at 31 December 2017.

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

- Future coal price: based on current market price and management's analysis of factors that may have impact on coal market;
- Coal production volume: based on management's production plan and limited by designed capacity and permitted capacity.
- Coal production costs: for coal mines in production phase, based on historical production costs and taking into account the factors that may have impact on future production costs; for coal mines in development phase, based on estimated production costs in the mine design documents;
- Capital expenditures: based on latest budget and historical data of fixed asset replacement;
- Discount rates: weighted average cost of capital reflecting the specific risk to the CGU.

Notwithstanding that the Group has used all available information to make this estimation, inherent uncertainty exists and actual write-offs may be higher or lower than the amount estimated. The carrying amounts of the property, plant and equipment, mining assets and land use rights are disclosed in Notes 16, 17 and 19, respectively.

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(b) Useful lives of property, plant and equipment

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

(c) Coal reserve estimates

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

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

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

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

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

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(d) Impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the provision at each balance sheet date.

(e) Income taxes

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

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

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

(g) Deferred stripping costs

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

6. SEGMENT INFORMATION

6.1 General information

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

The Chief Operating Decision Maker ("CODM") has been identified as the President Office (總裁辦公會).

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

(b) Operating and reportable segments

The Group's operating and reportable segments are coal, coal-chemical, mining machinery and finance.

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

In addition, segments relating to aluminium, electricity generating, equipment trading agency services, tendering services and other insignificant manufacturing businesses which are not reportable were combined and disclosed in 'others' segment category.

6.2 Information about operating and reportable segment profit or loss, assets and liabilities

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

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

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

6. SEGMENT INFORMATION (CONTINUED)

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

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

	For the year ended and as at 31 December 2017								
	Coal *RMB'000*	Coal-chemical *RMB'000*	Mining machinery *RMB'000*	Finance *RMB'000*	Others *RMB'000*	Total segment *RMB'000*	Unallocated *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Segment results									
Revenue									
Total revenue	64,383,662	12,743,981	5,536,887	–	2,646,870	85,311,400	–	(4,188,168)	81,123,232
Inter-segment revenue	(2,822,719)	(10,008)	(427,620)	–	(927,821)	(4,188,168)	–	4,188,168	–
Revenue from external customers	61,560,943	12,733,973	5,109,267	–	1,719,049	81,123,232	–	–	81,123,232
Profit/(loss) from operations	8,648,246	1,021,369	75,583	(43,839)	(89,275)	9,612,084	(225,594)	68,978	9,455,468
Profit/(loss) before income tax	7,901,506	588,213	(59,400)	493,381	(85,204)	8,838,496	(1,583,561)	71,317	7,326,252
Interest income	54,067	79,898	2,387	678,932	5,337	820,621	1,314,027	(1,568,244)	566,404
Interest expense	(1,264,382)	(1,029,339)	(94,655)	(141,412)	(290)	(2,530,078)	(2,804,475)	1,555,986	(3,778,567)
Depreciation and amortisation	(4,293,105)	(1,913,063)	(374,246)	(1,297)	(154,837)	(6,736,548)	(31,371)		(6,767,919)
Share of profit/(loss) of associates and joint ventures	492,421	537,902	(45,426)	–	–	984,897	137,596	–	1,122,493
Income tax (expense)/credit	(1,895,232)	(77,356)	(9,633)	(123,366)	(46,798)	(2,152,385)	516,905	(18,264)	(1,653,744)
Other material non-cash items									
Provision for impairment of property, plant and equipment	(77,132)	(722,804)	(1,479)	–	–	(801,415)	–	–	(801,415)
Provision for impairment of other assets	(1,029,518)	(18,315)	(92,523)	(29,442)	(2,857)	(1,172,655)	–	7,613	(1,165,042)
Segment assets and liabilities									
Total assets	134,629,143	62,458,182	17,691,353	8,549,747	14,295,143	237,623,568	20,416,441	(9,123,495)	248,916,514
Include: investment in associates and joint ventures	4,310,643	10,252,856	869,326	–	14,500	15,447,325	3,555,587	–	19,002,912
Addition to non-current assets	10,760,142	335,103	95,713	(201,189)	1,015,918	12,005,687	8,361	–	12,014,048
Total liabilities	42,660,500	25,895,483	6,510,104	5,522,127	5,594,297	86,182,511	64,107,391	(7,475,907)	142,813,995

6. SEGMENT INFORMATION (CONTINUED)

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

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

	For the year ended and as at 31 December 2016 (restated)								
	Coal *RMB'000*	Coal-chemical *RMB'000*	Mining machinery *RMB'000*	Finance *RMB'000*	Others *RMB'000*	Total segment *RMB'000*	Unallocated *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Segment results									
Revenue									
Total revenue	46,740,067	10,549,358	4,029,024	–	2,490,487	63,808,936	–	(3,144,827)	60,664,109
Inter-segment revenue	(2,031,803)	(31,057)	(355,521)	–	(726,446)	(3,144,827)	–	3,144,827	–
Revenue from external customers	44,708,264	10,518,301	3,673,503	–	1,764,041	60,664,109	–	–	60,664,109
Profit/(loss) from operations	4,071,530	2,126,074	116,501	(31,460)	202,485	6,485,130	(398,589)	50,794	6,137,335
Profit/(loss) before income tax	2,920,885	1,352,251	25,147	380,017	187,536	4,865,836	(1,912,229)	49,271	3,002,878
Interest income	54,389	115,859	12,012	579,024	6,228	767,512	1,376,852	(1,529,896)	614,468
Interest expense	(1,341,424)	(986,432)	(106,940)	(167,548)	(22,734)	(2,625,078)	(3,233,043)	1,528,626	(4,329,495)
Depreciation and amortisation	(4,052,894)	(1,687,426)	(389,828)	(1,592)	(388,838)	(6,520,578)	(35,079)	–	(6,555,657)
Share of profit/(loss) of associates and joint ventures	158,100	95,852	3,177	–	(21)	257,108	350,900	–	608,008
Income tax (expense)/credit	(767,158)	(36,910)	16,317	(95,053)	25,046	(857,758)	591,852	(33,359)	(299,265)
Other material non-cash items									
Provision for impairment of property, plant and equipment	(86,042)	–	–	–	(124,807)	(210,849)	–	–	(210,849)
Provision for impairment of other assets	(68,601)	(147,543)	(115,963)	(12,870)	(39,634)	(384,611)	(85,555)	81,202	(388,964)
Segment assets and liabilities									
Total assets	130,983,038	50,026,481	17,644,136	6,008,183	7,039,922	211,701,760	32,842,905	(1,848,893)	242,695,772
Include: investment in associates and joint ventures	2,424,305	547,308	37,273	–	356	3,009,242	11,019,486	–	14,028,728
Addition to non-current assets	8,832,716	2,182,876	194,573	150	438,249	11,648,564	(33,926)	–	11,614,638
Total liabilities	44,842,823	24,409,957	5,835,650	3,583,547	2,873,601	81,545,578	60,856,386	(1,847,300)	140,554,664

6. SEGMENT INFORMATION (CONTINUED)

6.3 Geographical information

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

Analysis of revenue

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Domestic markets	**80,706,214**	59,790,613
Overseas markets	**417,018**	873,496
	81,123,232	60,664,109

Analysis of non-current assets

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

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

No revenue from transaction with single external customer is amounted to 10%,or more of the Group's revenue for both 2017 and 2016.

7. REVENUE

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Sales of goods	**79,343,022**	59,841,745
Others	**1,780,210**	822,364
	81,123,232	60,664,109

8. OTHER GAINS AND LOSSES

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Government grants	**198,936**	110,694
Gains on disposal of subsidiaries (Note 38)	**66,584**	1,017,828
Gain/(loss) on disposal of property, plant and equipment	**83,374**	(155,703)
Impairment loss of available-for-sale assets	**(41,658)**	(135,879)
Impairment loss of property, plant and equipment	**(801,415)**	(210,849)
Impairment loss of mining rights	**(686,580)**	–
Impairment loss of land use rights	**(24,445)**	–
Impairment loss of receivables	**(208,260)**	(197,535)
Impairment of other non-current assets	**(154,076)**	(17,200)
Others	**(93,553)**	(12,457)
	(1,661,093)	398,899

9. FINANCE INCOME AND COSTS

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

9. FINANCE INCOME AND COSTS (CONTINUED)

Note:

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

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

10. EXPENSES BY NATURE

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

	2017 *RMB'000*	2016 *RMB'000* (Restated)
Depreciation *(note (a))*	**6,164,207**	6,081,456
Amortisation *(note (b))*	**603,712**	474,201
Materials used and goods traded	**35,979,338**	25,403,283
Transportation costs and port expenses	**9,389,544**	8,212,385
Sales tax and surcharges	**2,265,396**	1,900,164
Auditor's remuneration	**14,654**	12,726
– Audit service	**14,654**	10,496
– Non-audit service	**–**	2,230
Repairs and maintenance	**1,691,414**	1,029,789
Operating lease rentals	**60,152**	98,642
Employee benefit expense (including directors' emoluments) *(note (c), Note 11)*	**6,433,873**	6,215,763
Water resource compensation fees	**38,481**	81,007
Other expenses	**7,445,437**	5,429,557
Total cost of sales, selling expenses and general and administrative expenses	**70,086,208**	54,938,973

10. EXPENSES BY NATURE (CONTINUED)

Notes:

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

	2017 *RMB'000*	2016 *RMB'000* (Restated)
Depreciation for the year	**6,575,963**	6,501,729
– Property, plant and equipment *(Note 16)*	**6,573,591**	6,499,303
– Investment properties	**2,372**	2,426
Less: capitalised in inventories which remained unsold as at year end	**(53,783)**	(33,577)
capitalised in construction in progress	**(357,973)**	(386,696)
Amount charged to profit or loss	**6,164,207**	6,081,456

Charged to:

	2017 *RMB'000*	2016 *RMB'000* (Restated)
Expenses		
– Cost of sales	**5,632,842**	5,518,085
– Selling expenses and general and administrative expenses	**531,365**	563,371
	6,164,207	6,081,456

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

	2017 *RMB'000*	2016 *RMB'000*
Land use rights *(Note 19)*	**113,472**	108,390
Mining rights	**323,771**	259,958
Intangible assets	**110,473**	88,910
Long-term deferred expenses included in other non-current assets	**55,996**	16,943
	603,712	474,201

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

	2017 *RMB'000*	2016 *RMB'000* (Restated)
Charged to:		
Cost of sales	**4,109,497**	4,053,659
Selling expenses and general and administrative expenses	**2,324,376**	2,162,104
	6,433,873	6,215,763

11. EMPLOYEE BENEFIT EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Wages, salaries and allowances	**4,476,832**	3,974,479
Housing subsidies (note (a))	**366,635**	450,533
Contributions to pension plans (note (b))	**661,918**	784,827
Welfare and other expenses	**928,488**	1,005,924
	6,433,873	6,215,763

Notes:

(a) These mainly include the Group's contributions to government-sponsored housing funds in the PRC at rates ranging from 12% to 25% (2016: from 12% to 25%) of the employees' basic salaries.

(b) The Group participates in various pension plans organised by the relevant municipal and provincial governments in the PRC under which the Group is required to make monthly defined contributions to these plans at rates ranging from 5% to 20% (2016: from 5% to 20%) of the employees basic salaries depending on the applicable local regulations. Effective from 1 January 2011, the Group also makes monthly defined contributions to a supplemental pension plan for the qualified employees.

Five highest paid individuals

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

	2017	2016
Director	**–**	–
Non-director individuals	**5**	5
	5	5

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

	2017	2016
	RMB'000	*RMB'000*
Basic salaries, housing allowances, other allowances and benefits-in-kind	**1,000**	1,081
Contributions to pension schemes	**540**	463
Discretionary bonuses	**2,902**	1,867
	4,442	3,411

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

	2017	2016
	No. of employees	No. of employees
Nil to HK$1,000,000	**–**	3
HK$1,000,001 to HK$1,500,000	**5**	2
	5	5

12. BENEFITS AND INTERESTS OF DIRECTORS

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

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

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

12. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

Notes:

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

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

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

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

The emoluments of directors and supervisors for the year ended 31 December 2016 are set out below:

	2016 Emoluments paid or payable in respect of a person's service as a director, whether of the Company or its subsidiary undertaking						
Name	Fees	Salary	Bonus	Housing allowance	Social benefits	Employer's contribution to benefits scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman, executive director:							
Mr. LI Yanjiang	–	–	–	–	–	–	–
Executive director:							
Mr. GAO Jianjun	–	197	398	29	29	68	721
Non-executive directors:							
Mr. PENG Yi	–	–	–	–	–	–	–
Mr. LIU Zhiyong	–	–	–	–	–	–	–
Mr. XIANG Xujia	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Independent non-executive directors:							
Mr. ZHANG Ke	–	300	–	–	–	–	300
Mr. ZHAO Pei	–	300	–	–	–	–	300
Mr. NGAI Wai Fung	–	300	–	–	–	–	300
	–	900	–	–	–	–	900
Supervisors:							
Mr. ZHOU Litao	–	–	–	–	–	–	–
Mr. ZHAO Rongzhe	–	–	–	–	–	–	–
Mr. ZHANG Shaoping	–	204	244	29	29	62	568
	–	204	244	29	29	62	568
	–	1,301	642	58	58	130	2,189

12. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

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

The emoluments of the executive director and supervisors shown above were mainly for their services in connection with the management of the affairs of the Group.

Notes:

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

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

During the year ended 31 December 2017, the emoluments paid or payable to each of the directors did not exceed HK$1,000,000 (equivalent to RMB836,000).

(b) Directors' and supervisors' retirement benefits

The retirement benefits paid to all directors and supervisors during the year ended 31 December 2017 in respect of their services as directors and supervisors of the Company and its subsidiaries is RMB99,000 (2016: RMB130,000).

No other retirement benefits were paid to them in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2016: nil).

(c) Directors' and supervisors' termination benefits

During the years ended 31 December 2016 and 2017, no payment to the directors and supervisors as compensation for the early termination of the appointment was made by the Company.

(d) During the years ended 31 December 2016 and 2017, there is no consideration that was provided to third parties for making available directors' and supervisors' services.

No payment to the former employers for making available the services as directors and supervisors of the Company was made (2016: nil).

During the years ended 31 December 2016 and 2017, and as at 31 December 2016 and 2017, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiary undertaking of the Company, in favour of directors and supervisors.

12. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

(f) During the years ended 31 December 2016 and 2017, no directors or supervisors of the Company waived any emoluments.

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

13. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Current income tax		
– PRC enterprise income tax *(note (a))*	**2,226,221**	986,890
Deferred income tax *(Note 33)*	**(572,477)**	(687,625)
	1,653,744	299,265

Notes:

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

13. INCOME TAX EXPENSE (CONTINUED)

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

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

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

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

		2017			2016 (restated)	
	Before tax	**Tax charge**	**After tax**	Before tax	Tax charge	After tax
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale assets	**(1,420)**	**355**	**(1,065)**	2,163	(541)	1,622
Currency translation differences	**(5,011)**	**–**	**(5,011)**	(25,676)	–	(25,676)
Other comprehensive (income)/expense	**(6,431)**	**355**	**(6,076)**	(23,513)	(541)	(24,054)
Deferred tax		**355**			(541)	

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

	2017	2016
	RMB'000	*RMB'000*
Deferred tax:	**355**	(541)

14. DIVIDENDS

A dividend in respect of the year ended 31 December 2017 of RMB0.055 per share, amounting to a total dividend of approximately RMB724,328,000, has been proposed by the directors of the Company and is subject to approval by the shareholders at the 2017 annual general meeting. These consolidated financial statements do not reflect this dividend payable.

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

15. EARNINGS PER SHARE

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

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

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

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Mining structures	Plant, machinery and equipment	Railway structures	Motor vehicles, fixtures and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2016 (restated)							
Opening net book amount	29,526,950	14,349,965	40,518,500	2,956,942	1,297,757	40,161,309	128,811,423
Additions	233,214	1,005,207	340,718	14,608	47,534	8,281,029	9,922,310
Transfers upon completion of construction	1,811,996	738,629	1,233,327	308,371	30,242	(4,122,565)	–
Transfer from mining rights	–	–	12,379	–	–	–	12,379
Transfer to land use rights and intangible assets	–	–	(56,141)	–	–	(347,629)	(403,770)
Transfer to investment properties	(4,861)	–	–	–	–	–	(4,861)
Reclassification	(99,873)	–	99,184	–	689	–	–
Disposals	(47,298)	–	(3,179)	–	(23,417)	(765,597)	(839,491)
Disposal of subsidiaries	(798,499)	(110,779)	(1,411,900)	–	(15,690)	(39,459)	(2,376,327)
Others	–	–	(97,621)	(164,912)	–	97,621	(164,912)
Depreciation charges *(Note 10)*	(1,289,600)	(835,231)	(3,946,128)	(104,854)	(323,490)	–	(6,499,303)
Provision for impairment	–	–	(124,807)	–	–	(86,042)	(210,849)
Closing net book amount	29,332,029	15,147,791	36,564,332	3,010,155	1,013,625	43,178,667	128,246,599
At 31 December 2016							
Cost	35,649,459	22,047,349	61,305,559	3,606,985	2,863,719	43,178,667	168,651,738
Accumulated depreciation	(6,269,392)	(6,898,388)	(24,603,064)	(596,830)	(1,781,581)	–	(40,149,255)
Impairment provision	(48,038)	(1,170)	(138,163)	–	(68,513)	–	(255,884)
Net book amount	29,332,029	15,147,791	36,564,332	3,010,155	1,013,625	43,178,667	128,246,599

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings	Mining structures	Plant, machinery and equipment	Railway structures	Motor vehicles, fixtures and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2017							
Opening net book amount (restated)	**29,332,029**	**15,147,791**	**36,564,332**	**3,010,155**	**1,013,625**	**43,178,667**	**128,246,599**
Additions	**270,883**	**1,474,086**	**534,034**	**–**	**115,207**	**7,908,683**	**10,302,893**
Transfers upon completion of construction	**3,087,323**	**824,511**	**7,014,988**	**–**	**8,147**	**(10,934,969)**	**–**
Transfer to land use rights and intangible assets	**–**	**–**	**–**	**–**	**–**	**(553,667)**	**(553,667)**
Reclassification	**195,716**	**(801,392)**	**484,818**	**(62,121)**	**182,979**	**–**	**–**
Disposals	**(552,855)**	**(65,956)**	**(639,542)**	**–**	**(25,872)**	**(192,873)**	**(1,477,098)**
Disposal of subsidiaries	**(245,520)**	**–**	**(38,272)**	**–**	**(82,095)**	**(447,049)**	**(812,936)**
Depreciation charges *(Note 10)*	**(1,343,149)**	**(843,241)**	**(4,018,653)**	**(105,830)**	**(262,718)**	**–**	**(6,573,591)**
Provision for impairment	**(31,801)**	**–**	**(516,296)**	**–**	**(533)**	**(252,785)**	**(801,415)**
Closing net book amount	**30,712,626**	**15,735,799**	**39,385,409**	**2,842,204**	**948,740**	**38,706,007**	**128,330,785**
At 31 December 2017							
Cost	**37,918,703**	**23,185,994**	**66,865,598**	**3,566,641**	**2,762,503**	**38,958,792**	**173,258,231**
Accumulated depreciation	**(7,142,343)**	**(7,449,025)**	**(26,848,633)**	**(724,437)**	**(1,749,612)**	**–**	**(43,914,050)**
Impairment provision	**(63,734)**	**(1,170)**	**(631,556)**	**–**	**(64,151)**	**(252,785)**	**(1,013,396)**
Net book amount	**30,712,626**	**15,735,799**	**39,385,409**	**2,842,204**	**948,740**	**38,706,007**	**128,330,785**

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year ended 31 December 2017, the depreciation charges of the Group were recorded in cost of sales with an amount of RMB5,630,470,000 (2016: RMB5,515,659,000), selling expenses and general and administrative expenses with an amount of RMB531,365,000 (2016: RMB563,371,000), construction in progress with an amount of RMB357,973,000 (2016: RMB386,696,000), and cost of inventories which remained unsold as at year end with an amount of RMB53,783,000 (2016: RMB33,577,000) respectively.

Bank borrowings are secured on property, plant and equipment for the value of RMB5,353,460,000 (2016: RMB10,231,969,000) (Note 31).

As at 31 December 2017, the Group was in process of applying the ownership certificates of buildings with net book amount of RMB5,955,201,000 (2016: RMB4,730,318,000).

During the year ended 31 December 2017, the Group recognised impairment losses on property, plant and equipment amounting to RMB500,000,000 in relation to China Coal Heilongjiang Coal Chemical Company Limited, a subsidiary within the coal-chemical segment. The recoverable amount of the property, plant and equipment of China Coal Heilongjiang Coal Chemical Company Limited have been determined on the basis of value in use calculation using discount cash flow technique with discount rate of 10%, based on financial budgets approved by the management covering a 1 year period using a steady growth rate for subsequent years. The key assumptions adopted in the value in use calculation relate to the estimated production volume and the estimated price of the products, mainly with reference to methanol and gas.

During the year, the Company decided to suspend indefinitely certain construction in progress projects due to the changes of the market condition. The impairment loss amounting to RMB252,785,000 (2016: RMB86,042,000) was provided in full for those construction in progress.

17. MINING RIGHTS

	Mining Rights *RMB'000*
At 1 January 2016	
Cost	36,252,578
Accumulated amortisation	(3,408,771)
Net book amount	32,843,807
Year ended 31 December 2016	
Opening net book amount	32,843,807
Additions	1,156,689
Disposal of subsidiaries	(53,147)
Transfer to property, plant and equipment	(12,379)
Amortisation charges	(261,024)
Closing net book amount	33,673,946
At 31 December 2016	
Cost	37,218,798
Accumulated amortisation	(3,544,852)
Net book amount	33,673,946
Year ended 31 December 2017	
Opening net book amount	**33,673,946**
Additions	**96,077**
Impairment provision	**(686,580)**
Amortisation charges	**(324,772)**
Closing net book amount	**32,758,671**
At 31 December 2017	
Cost	**37,314,875**
Accumulated amortisation	**(3,869,624)**
Impairment provision	**(686,580)**
Net book amount	**32,758,671**

17. MINING RIGHTS (CONTINUED)

As at 31 December 2017, there are no bank borrowings being secured on mining rights (2016:RMB300,000,000) (Note 31).

The amortisation charges were mainly recorded in cost of sales for the years ended 31 December 2017 and 2016.

As at 31 December 2017, the directors of the Company performed impairment assessment on the Group's certain mining rights and the Group recognised impairment losses on mining rights of RMB517,823,000 (2016: nil) and RMB168,757,000 (2016: nil) in relation to the Yuquan coal mine in Shanxi Yangquan Yuxian Yuquan Coal Industry Co., Ltd. and Huizhong coal mine, Jinpo coal mine, Quanan coal mine in Shanxi China Coal Dongpo Coal Industry Company Limited, respectively.

The recoverable amount of the cash generated unit in relation to Yuquan coal mine have been determined on the basis of value in use calculation using discount cash flow technique with discount rate of 12%, based on financial budgets approved by the management covering a 1 year period using a steady growth rate for subsequent years. The key assumptions adopted in the value in use calculation relate to the estimated selling price of the coal, the coal reserve and the estimated productivities.

The recoverable amount of mining rights in relation to Huizhong coal mine, Jinpo coal mine and Quanan coal mine is determined on the basis of its fair value less costs of disposal, the management of the Group considered that the fair value less costs of disposal of the related assets are insignificant.

18. INTANGIBLE ASSETS

	Technical know-how *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2016			
Cost	901,117	629,748	1,530,865
Accumulated amortisation	(45,056)	(122,775)	(167,831)
Net book amount	856,061	506,973	1,363,034
Year ended 31 December 2016			
Opening net book amount	856,061	506,973	1,363,034
Additions	4,959	20,816	25,775
Acquisition of a subsidiary	17,600	–	17,600
Transferred from property, plant and equipment	170,686	2,448	173,134
Disposals	–	(127)	(127)
Disposal of subsidiaries	–	(18,275)	(18,275)
Other decreases	(4,888)	(19,750)	(24,638)
Amortisation charge	(57,578)	(35,641)	(93,219)
Closing net book amount	986,840	456,444	1,443,284
At 31 December 2016			
Cost	1,089,474	614,860	1,704,334
Accumulated amortisation	(102,634)	(158,416)	(261,050)
Net book amount	986,840	456,444	1,443,284

18. INTANGIBLE ASSETS (CONTINUED)

	Technical know-how *RMB'000*	Others *RMB'000*	Total *RMB'000*
Year ended 31 December 2017			
Opening net book amount	**986,840**	**456,444**	**1,443,284**
Additions	**31,888**	**4,760**	**36,648**
Transferred from property, plant and equipment	**–**	**334,646**	**334,646**
Disposals	**–**	**(4,692)**	**(4,692)**
Disposal of subsidiaries	**–**	**(946)**	**(946)**
Amortisation charge	**(60,392)**	**(51,327)**	**(111,719)**
Closing net book amount	**958,336**	**738,885**	**1,697,221**
At 31 December 2017			
Cost	**1,128,629**	**933,059**	**2,061,688**
Accumulated amortisation	**(170,293)**	**(194,174)**	**(364,467)**
Net book amount	**958,336**	**738,885**	**1,697,221**

The amortisation charge was mainly recorded in cost of sales, selling expenses and general and administrative expenses for the years ended 31 December 2017 and 2016.

Other intangible assets mainly include emission rights and computer softwares.

19. LAND USE RIGHTS

	RMB'000
At 1 January 2016	
Cost	5,566,883
Accumulated amortisation	(676,426)
Impairment provision	(1,197)
Net book amount	4,889,260
Year ended 31 December 2016	
Opening net book amount	4,889,260
Additions	98,682
Acquisition of a subsidiary	4,282
Transferred from property, plant and equipment	230,636
Other additions	24,638
Disposal of subsidiaries	(49,120)
Disposals	(26,526)
Transfer to other non-current assets	(13,573)
Amortisation charge	(119,960)
Closing net book amount	5,038,319
At 31 December 2016	
Cost	5,835,902
Accumulated amortisation	(796,386)
Impairment provision	(1,197)
Net book amount	5,038,319

19. LAND USE RIGHTS (CONTINUED)

	RMB'000
Year ended 31 December 2017	
Opening net book amount	**5,038,319**
Additions	**58,412**
Transferred from property, plant and equipment	**219,021**
Disposal of subsidiaries *(Note 38)*	**(127,796)**
Disposals	**(171,659)**
Provision for impairment	**(24,445)**
Amortisation charge	**(116,935)**
Closing net book amount	**4,874,917**
At 31 December 2017	
Cost	**5,759,674**
Accumulated amortisation	**(859,115)**
Impairment provision	**(25,642)**
Net book amount	**4,874,917**

Bank borrowings are secured on land use rights for the value of RMB75,338,000 (2016: RMB76,204,000).

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

The amortisation charges were recorded in cost of sales with an amount of RMB66,038,000 (2016: RMB54,456,000), selling expenses and general and administrative expenses with an amount of RMB47,434,000 (2016: RMB53,934,000) and construction in progress with an amount of RMB3,410,000 (2016: RMB10,683,000) and cost of inventories which remained unsold as at year end with an amount of RMB53,000 (2016:RMB887,000).

As at 31 December 2017, the Group was in process of applying the ownership certificates of land use rights with net book amounts of RMB655,248,000 (2016: RMB503,287,000).

As at 31 December 2017, the directors of the Company performed impairment assessment on the Group's certain land use rights, and the Group recognised impairment losses on land use rights of RMB24,445,000 (2016: nil) in relation to the Yulong coal mine in Shanxi China Coal Yulong Energy Company Limited. The recoverable amount of the land use rights of Yulong coal mine is determined on the basis of its fair value less costs of disposal, the management of the Group considered that the fair value less costs of disposal of the related assets are insignificant.

20(a) SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2017:

(a) Principal subsidiaries

Company name	Place of establishment	Registered capital	Attributable equity interest held by the		Held by non-controlling interests	Principal activities and place of operation	Type of legal entity
			Company	Group			
Listed -							
Shanghai Datun Energy Resources Company Limited (上海大屯能源股份有限公司)	Shanghai, the PRC	RMB 722,718,000	62.43%	62.43%	37.57%	Coal mining and Sale of coal in Peixian, the PRC	Joint stock with limited liability
Unlisted -							
China Coal Pingshuo Group Company Limited (中煤平朔集團有限公司)	Shuozhou, the PRC	RMB 21,779,370,000	100%	100%	–	Coal mining and Sale of coal in Shuozhou, the PRC	Limited liability company
China National Coal Mining Equipment Company Limited (中國煤礦機械裝備有限責任公司)	Beijing, the PRC	RMB 7,657,897,000	100%	100%	–	Design, manufacture and Sale of coal mining machinery and equipment in Zhangjiakou, Beijing, the PRC	Limited liability company
China Coal and Coke Holdings Limited (中煤焦化控股有限責任公司)	Beijing, the PRC	RMB 1,048,813,800	100%	100%	–	Sale of coke in Beijing, Tianjin and Taiyuan, the PRC	Limited liability company
Shanxi China Coal Huajin Energy Company Limited (山西中煤華晉能源有限責任公司)	Taiyuan, the PRC	RMB 6,439,336,000	51%	51%	49%	Coal mining and Sale of coal in Hejin, the PRC	Limited liability company
China National Coal Development Company Limited (中國煤炭開發有限責任公司)	Beijing, the PRC	RMB 100,000,000	100%	100%	–	Trading of mining equipment in Beijing, the PRC	Limited liability company
China Coal Tendering Company Limited (中煤招標有限責任公司)	Beijing, the PRC	RMB 50,000,000	100%	100%	–	Tendering services in Beijing, the PRC	Limited liability company
China Coal Xing'an Energy Chemical Engineering Company Limited (中煤興安能源化工有限公司)	Ulanhot, the PRC	RMB500,000,000	100%	100%	–	Coal chemical in Ulanhot, the PRC	Limited liability company

20(a) SUBSIDIARIES (CONTINUED)

(a) Principal subsidiaries (continued)

Company name	Place of establishment	Registered capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Held by non-controlling interests	Principal activities and place of operation	Type of legal entity
Unlisted - continued							
China Coal Ordos Energy Chemical Company Limited (中煤鄂爾多斯能源化工有限公司)	Ordos, the PRC	RMB4,193,424,800	100%	100%	–	Coal chemical in Ordos, the PRC	Limited liability company
Sunfield Resources Pty. Limited (華光資源有限公司)	Sydney, Australia	AUD 500,000	100%	100%	–	Investment management, trading of coal and coke in Sydney, Australia	Limited liability company
Datong China Coal Export Base Development Company Limited (大同中煤出口煤基地建設有限公司)	Datong, the PRC	RMB 125,000,000	19%	60%	40%	Processing and sale of coal in Datong, the PRC	Sino-foreign joint venture
China Coal Heilongjiang Coal Chemical Company Limited (中煤能源黑龍江煤化工有限公司)	Yilan, the PRC	RMB 2,474,873,500	100%	100%	–	Coal chemical sales in Yilan,the PRC	Limited liability company
China Coal Xinjiang Coal Electricity Chemical Company Limited (中煤能源新疆煤電化有限公司)	Jimsar County in Changji Prefecture, the PRC	RMB 800,000,000	60%	60%	40%	Coal chemical in Jimsar County in Changji Prefecture, the PRC	Limited liability company
China Coal Hami Coal Industry Company Limited (中煤能源哈密煤業有限公司)	Hami, the PRC	RMB 614,766,400	100%	100%	–	Coal mining and Sale of coal in Hami, the PRC	Limited liability company
Inner Mongolia China Coal Mengda New Energy & Chemical Company Limited (內蒙古中煤蒙大新能源化工有限公司)	Ordos, the PRC	RMB 3,198,601,000	100%	100%	–	Manufacture and sale of coal chemical products in Ordos, the PRC	Limited liability company
Wushenqi Mengda Mining Company Limited (烏審旗蒙大礦業有限責任公司)	Ordos, the PRC	RMB 854,000,000	66%	66%	34%	Coal mining and sale of coal in Ordos, the PRC	Limited liability company
Ordos Yihua Mining Resources Company Limited (鄂爾多斯市伊化礦業資源有限責任公司)	Ordos, the PRC	RMB 1,274,087,300	51%	51%	49%	Coal mining and sale of coal in Ordos, the PRC	Limited liability company
China Coal Shaanxi Yulin Energy & Chemical Company Limited ("Shaanxi Yulin") (中煤陝西榆林能源化工有限公司)	Yulin, the PRC	RMB 9,369,060,000	100%	100%	–	Manufacture and sale of coal chemical products in Yulin, the PRC	Limited liability company

20(a) SUBSIDIARIES (CONTINUED)

(a) Principal subsidiaries (continued)

Company name	Place of establishment	Registered capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Held by non-controlling interests	Principal activities and place of operation	Type of legal entity
Unlisted - continued							
Ordos Yinhe Hongtai Coal Power Company Limited (鄂爾多斯市銀河鴻泰煤電有限公司)	Ordos, the PRC	RMB 94,493,800	78.84%	78.84%	21.16%	Coal mine development in Ordos, the PRC	Limited liability company
Shanxi Puxian China Coal Jinchang Mining Company Limited (山西蒲縣中煤晉昶礦業有限責任公司)	Linfen, the PRC	RMB 50,000,000	51%	51%	49%	Coal mine development in Linfen, the PRC	Limited liability company
China Coal Sales and Transportation Company Limited (中國煤炭銷售運輸有限責任公司)	Beijing, the PRC	RMB 3,197,361,498	100%	100%	–	Sale of coal products and other related products in Shanghai, Guangdong, Shandong, Qinhuangdao, the PRC	Limited liability company
Shanxi Zhongxin Tangshangou Coal Industry Company Limited (山西中新唐山溝煤業有限責任公司)	Datong, the PRC	RMB 16,350,000	80%	80%	20%	Coal mine and sale of coal in Datong, the PRC	Limited liability company
Shanxi Puxian China Coal Yushuo Mining Company Limited (山西蒲縣中煤禹碩礦業有限責任公司)	Linfen, the PRC	RMB 50,000,000	63%	63%	37%	Coal mine development in Linfen, the PRC	Limited liability company
Inner Mongolia China Coal Yuanxing Energy Chemical Company Limited (內蒙古中煤遠興能源化工有限公司)	Ordos, the PRC	RMB 1,032,399,000	75%	75%	25%	Manufacture and sale of coal chemical products in Ordos, the PRC	Limited liability company
China Coal Finance Co., Ltd. (China Coal Finance) (中煤財務有限責任公司)	Beijing, the PRC	RMB 3,000,000,000	91%	91%	9%	Finance in Beijing, the PRC	Limited liability company
Wushenqi Mengda Energy Environmental Protection Company Limited (烏審旗蒙大能源環保有限公司)	Ordos, the PRC	RMB 15,000,000	–	70%	30%	Waste disposal in Ordos, the PRC	Limited liability company
China Coal Northwest Energy Company Limited (中煤西北能源有限公司)	Ordos, the PRC	RMB 1,000,000,000	100%	100%	–	Coal mine development in Ordos, the PRC	Limited liability company
China Coal Chemicals (TianJin) Company Limited (中煤化(天津)化工銷售有限公司)	Tianjin, the PRC	RMB 500,000,000	100%	100%	–	Manufacture and sale of coal chemical products in Tianjin, the PRC	Limited liability company

Note:

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

None of the subsidiaries had issued any debt securities at the end of the year except for Shanghai Datun Energy Resources Company Limited ("Shanghai Datun") which had issued RMB1,000 million long-term bonds, in which the Group had no interest. The details of the long-term bonds are stated in Note 32(d).

20(a) SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests

The total non-controlling interests as at 31 December 2017 is RMB17,091,234,000 (2016: RMB16,066,828,000). The material non-controlling interests are set out below.

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Subsidiaries with material non-controlling interests		
Shanghai Datun	**3,778,171**	3,832,632
Shanxi China Coal Huajin Energy Company Limited ("China Coal Huajin")	**5,651,636**	4,349,355
Wushenqi Mengda Mining Resources Company ("Mengda Mining")	**1,217,610**	1,217,906
Ordos Yihua Mining Resources Company Limited ("Yihua Mining")	**1,943,860**	1,894,674
	12,591,277	11,294,567

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

Summarised financial information on subsidiaries with material non-controlling interests

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

20(a) SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (continued)

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

Summarised statement of financial position

	Shanghai Datun	
	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Current assets	**2,998,816**	2,711,067
Non-current assets	**12,039,970**	12,105,927
	15,038,786	14,816,994
Current liabilities	**3,485,333**	3,266,287
Non-current liabilities	**1,807,837**	1,998,361
	5,293,170	5,264,648
Equity attributable to owners of the Company	**5,967,445**	5,719,714
Non-controlling interests of Shanghai Datun	**3,542,410**	3,393,326
Non-controlling interests of Shanghai Datun's subsidiaries	**235,761**	439,306

	China Coal Huajin	
	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Current assets	**5,798,349**	4,166,285
Non-current assets	**10,606,281**	11,025,735
	16,404,630	15,192,020
Current liabilities	**3,257,562**	3,764,821
Non-current liabilities	**2,551,983**	3,414,706
	5,809,545	7,179,527
Equity attributable to owners of the Company	**4,943,449**	3,663,138
Non-controlling interests of China Coal Huajin	**4,810,567**	3,578,469
Non-controlling interests of China Coal Huajin's subsidiaries	**841,069**	770,886

20(a) SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (continued)

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

Summarised statement of financial position (continued)

	Mengda Mining	
	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Current assets	**1,014,448**	696,103
Non-current assets	**10,086,436**	10,179,093
	11,100,884	10,875,196
Current liabilities	**2,076,808**	2,056,360
Non-current liabilities	**5,442,869**	5,236,758
	7,519,677	7,293,118
Equity attributable to owners of the Company	**2,363,597**	2,364,172
Non-controlling interests of Mengda Mining	**1,217,610**	1,217,906

	Yihua Mining	
	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Current assets	**980,294**	314,528
Non-current assets	**9,268,119**	9,580,653
	10,248,413	9,895,181
Current liabilities	**1,387,574**	1,466,746
Non-current liabilities	**4,893,777**	4,561,753
	6,281,351	6,028,499
Equity attributable to owners of the Company	**2,023,202**	1,972,008
Non-controlling interests of Mengda Mining	**1,943,860**	1,894,674

20(a) SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (continued)

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

Summarised statement of profit or loss and other comprehensive income

	Shanghai Datun	
	2017	2016
	RMB'000	*RMB'000*
Revenue	**6,334,068**	5,179,540
Profit before income tax	**433,950**	439,860
Income tax expense	**168,408**	39,931
Profit for the year	**265,542**	399,929
Profit attributable to owners of the Company	**292,850**	284,301
Profit attributable to the non-controlling interests of Shanghai Datun	**176,237**	153,872
Loss attributable to the non-controlling interests of Shanghai Datun's subsidiaries	**(203,545)**	(38,244)
Dividends paid to non-controlling interests of Shanghai Datun	**27,153**	–

	China Coal Huajin	
	2017	2016
	RMB'000	*RMB'000*
Revenue	**7,898,813**	4,910,236
Profit before income tax	**4,619,648**	2,228,865
Income tax expense	**1,160,844**	604,415
Profit for the year	**3,458,804**	1,624,450
Profit attributable to owners of the Company	**1,419,780**	717,230
Profit attributable to the non-controlling interests of China Coal Huajin	**1,366,098**	689,103
Profit attributable to the non-controlling interests of China Coal Huajin's subsidiaries	**672,926**	218,117
Dividends paid to non-controlling interests of China Coal Huajin	**134,000**	–

20(a) SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (continued)

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

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

	Mengda Mining	
	2017	2016
	RMB'000	*RMB'000*
Revenue	**29,305**	22,008
Loss before income tax	**(871)**	(5,708)
Income tax expense	**–**	–
Loss for the year	**(871)**	(5,708)
(Loss)/profit attributable to owners of the Company	**(575)**	3,767
Loss attributable to the non-controlling interests of Mengda Mining	**(296)**	(1,941)
Dividends paid to non-controlling interests of Mengda Mining	**–**	–

	Yihua Mining	
	2017	2016
	RMB'000	*RMB'000*
Revenue	**848**	1,362
Loss before income tax	**(4,055)**	(1,547)
Income tax expense	**–**	–
Loss for the year	**(4,055)**	(1,547)
Loss attributable to owners of the Company	**(2,068)**	(789)
Loss attributable to the non-controlling interests of Yihua Mining	**(1,987)**	(758)
Dividends paid to non-controlling interests of Yihua Mining	**–**	–

20(a) SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (continued)

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

Summarised statement of cash flows

	Shanghai Datun		China Coal Huajin		Mengda Mining		Yihua Mining	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Net cash inflow from operating activities	**830,841**	1,356,069	**4,227,806**	1,492,229	**1,083,282**	147,052	**967,324**	232,828
Net cash (outflow) inflow from investing activities	**(515,188)**	178,702	**(142,205)**	(223,282)	**(944,020)**	(216,650)	**(918,044)**	(390,556)
Net cash (outflow) inflow from financing activities	**(504,443)**	(1,016,878)	**(2,059,718)**	(1,121,104)	**(136,897)**	67,814	**(49,310)**	154,281
Net cash (outflow) inflow	**(188,790)**	517,893	**2,025,883**	147,843	**2,365**	(1,784)	**(30)**	(3,447)

20(b) INVESTMENTS IN ASSOCIATES

	2017	2016
	RMB'000	*RMB'000*
Beginning of the year	**12,008,565**	11,221,621
Additions	**2,113,828**	615,335
Transfer from available-for-sale assets *(Note 21)*	**1,963,800**	–
Disposal of subsidiaries	**–**	(56,944)
Disposal	**(3,364)**	–
Share of profits	**460,376**	437,666
Dividends	**(166,614)**	(209,113)
End of the year	**16,376,591**	12,008,565

Set out below are the associates of the Group as at 31 December 2017, which, in the opinion of the directors, are material to the Group. All of the associates are unlisted and there are no quoted market price available for their shares. The country of establishment or registration is also their principal place of business.

20(b) INVESTMENTS IN ASSOCIATES (CONTINUED)

Nature of investment in material associates as at 31 December 2017 and 2016

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

Summarised financial information for associates

Set out below are the summarised financial information for associates which are material to the Group and accounted for using the equity method.

Summarised statement of financial position

	Zhongtian Synergetic		Shaanxi Yanchang	
	31 December 2017	31 December 2016	**31 December 2017**	31 December 2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current				
Cash and cash equivalents	**4,515,519**	3,750,813	**61,279**	339,044
Other current assets (excluding cash)	**3,716,242**	3,699,800	**4,011,696**	2,410,662
Total current assets	**8,231,761**	7,450,613	**4,072,975**	2,749,706
Financial liabilities (excluding trade payables)	**–**	(2,180,000)	**–**	(3,450,000)
Other current liabilities (including trade payables)	**(10,667,708)**	(5,886,798)	**(3,701,382)**	(1,687,755)
Total current liabilities	**(10,667,708)**	(8,066,798)	**(3,701,382)**	(5,137,755)
Non-current				
Total non-current assets	**51,690,678**	50,269,566	**22,706,635**	23,106,488
Financial liabilities	**(31,472,000)**	(30,094,206)	**(10,917,724)**	(12,690,345)
Other liabilities	**(21,623)**	(2,043,223)	**–**	–
Total non-current liabilities	**(31,493,623)**	(32,137,429)	**(10,917,724)**	(12,690,345)
Net assets	**17,761,108**	17,515,952	**12,160,504**	8,028,094

20(b) INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised financial information for associates (continued)

Summarised statement of profit or loss and other comprehensive income

	Zhongtian Synergetic		**Shaanxi Yanchang**	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	**3,569,170**	–	**11,164,033**	8,987,467
Profit before income tax	**376,474**	–	**1,321,663**	859,794
Post-tax profit for the year	**245,156**	–	**1,138,311**	859,794
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income for the year	**245,156**	–	**1,138,311**	859,794
Dividends received from the associate during the year	**–**	–	**–**	–

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

Reconciliation of summarised financial information

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

	Zhongtian Synergetic		**Shaanxi Yanchang**	
Summarised financial information	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Opening net assets at 1 January	**17,515,952**	15,933,951	**8,028,094**	7,168,300
Profit for the year	**245,156**	–	**1,138,311**	859,794
Capital contribution from shareholders	**–**	1,582,001	**3,000,000**	–
Others	**–**	–	**(5,901)**	–
Closing net assets at 31 December	**17,761,108**	17,515,952	**12,160,504**	8,028,094
Interest in associates	**6,882,429**	6,787,431	**2,605,996**	2,408,428
Carrying value	**6,882,429**	6,787,431	**2,652,368**	2,408,428

20(b) INVESTMENTS IN ASSOCIATES (CONTINUED)

Reconciliation of summarised financial information (continued)

Aggregate information of associates that are not individually material

	31 December 2017 ***RMB'000***	31 December 2016 *RMB'000*
The Group's share of profit	**121,438**	179,728
The Group's share of other comprehensive income	**–**	–
The Group's share of total comprehensive income	**121,438**	179,728
Aggregate carrying amount of the Group's interests in these associates	**6,841,794**	2,812,706

20(c) INVESTMENTS IN JOINT VENTURES

	2017 ***RMB'000***	2016 *RMB'000*
Beginning of the year	**2,020,163**	1,878,577
Additions	**17,000**	–
Share of profit	**662,117**	170,342
Dividends	**(72,959)**	(28,756)
End of the year	**2,626,321**	2,020,163

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

Nature of investment in a material joint venture as at 31 December 2017 and 2016:

Name of entity	**Place of business/ country of establishment**	**% of ownership interest**	**Measurement method**
Yan'an Hecaogou Coal Company Limited ("Hecaogou Coal")	Yan'an, the PRC	50.00%	Equity

Summarised financial information for joint venture

Set out below are the summarised financial information for a joint venture which is material to the Group and accounted for using the equity method.

20(c) INVESTMENTS IN JOINT VENTURES (CONTINUED)

Summarised financial information for joint venture (continued)

Summarised statement of financial position

	Hecaogou Coal	
	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Current		
Cash and cash equivalents	**93,948**	15,022
Other current assets (excluding cash)	**557,519**	224,695
Total current assets	**651,467**	239,717
Financial liabilities (excluding trade payables)	**(686,230)**	(1,300,000)
Other current liabilities (including trade payables)	**(729,609)**	(422,096)
Total current liabilities	**(1,415,839)**	(1,722,096)
Non-current		
Total non-current assets	**4,481,080**	4,517,160
Financial liabilities	**(210,000)**	(250,000)
Other liabilities	**(148,815)**	(270,852)
Total non-current liabilities	**(358,815)**	(520,852)
Net assets	**3,357,893**	2,513,929

Summarised statement of profit or loss and other comprehensive income

	Hecaogou Coal	
	2017	2016
	RMB'000	*RMB'000*
Revenue	**2,092,136**	1,172,087
Profit before income tax	**1,004,619**	193,776
Post-tax profit for the year	**843,964**	156,772
Other comprehensive income	**–**	–
Total comprehensive income	**843,964**	156,772
Dividends received during the year	**–**	–

20(c) INVESTMENTS IN JOINT VENTURES (CONTINUED)

Summarised financial information for joint venture (continued)

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

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

Reconciliation of summarised financial information

	Hecaogou Coal	
Summarised financial information	**31 December 2017** *RMB'000*	31 December 2016 *RMB'000*
Opening net assets at 1 January	**2,513,929**	2,357,157
Profit for the year	**843,964**	156,772
Closing net assets at 31 December	**3,357,893**	2,513,929
Interests in joint ventures	**1,678,946**	1,256,965
Carrying value	**1,678,946**	1,256,965

Aggregate information of joint ventures that are not individually material

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
The Group's share of profit	**240,135**	91,956
The Group's share of other comprehensive income	**–**	–
The Group's share of total comprehensive income	**240,135**	91,956
Aggregate carrying amount of the Group's interests in these joint ventures	**947,375**	763,198

21. AVAILABLE-FOR-SALE ASSETS

	2017	2016
	RMB'000	*RMB'000*
Beginning of the year	**5,467,784**	5,566,926
Additions	**37,331**	40,000
Transferred to investment in associates *(Note 20(b))*	**(1,963,800)**	–
Disposal	**(9,386)**	(1,100)
Increase (decrease) in fair value	**1,420**	(2,163)
Impairment provision	**(41,658)**	(135,879)
End of the year	**3,491,691**	5,467,784

Available-for-sale assets include the following:

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Listed securities:		
– equity securities, listed in the PRC, at fair value	**33,086**	18,627
Unlisted securities:		
– equity securities, at cost *(Note)*	**3,458,605**	5,449,157
	3,491,691	5,467,784

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

22. LONG-TERM RECEIVABLES

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Finance lease receivables	**317,241**	138,204
Others	**144,898**	147,138
Total	**462,139**	285,342

The long-term receivables are neither past due nor impaired as at 31 December 2017 and 2016. The carrying amounts of long-term receivables approximate their fair values.

23. OTHER NON-CURRENT ASSETS

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* (Restated)
Prepayments for long-term investments *(Note (a))*	**3,157,295**	2,535,856
Prepayments for mining rights *(Note (b))*	**1,215,000**	1,357,195
Prepayments for constructions in progress and equipment	**70,633**	31,293
Prepayments for land use rights *(Note (b))*	**635,266**	833,028
Deductible value added tax	**276,305**	511,297
Loans to fellow subsidiaries *(Note (c))*	**608,850**	811,800
Prepaid income tax	**37,149**	282,071
Others	**554,378**	534,942
Total	**6,554,876**	6,897,482

Notes:

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

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

(c) The loans to fellow subsidiaries are unsecured and repayable after 12 months from the balance sheet date with the interest rate of 4.75%-4.90% (2016: 4.75%) per annum.

24. INVENTORIES

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Coal	**720,161**	830,731
Machinery for sale	**3,815,669**	3,515,319
Coal chemical products	**538,234**	632,827
Auxiliary materials, spare parts and tools	**2,373,186**	2,412,022
	7,447,250	7,390,899

The provisions for impairment of inventories of the Group amounted to RMB136,165,000 as at 31 December 2017 (2016: RMB106,879,000).

25. TRADE AND NOTES RECEIVABLES

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

Notes:

(a) Trade receivables are analysed as follows:

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Trade receivables		
– Associates	**377,400**	245,209
– Joint ventures	**56,324**	77,063
– Fellow subsidiaries	**673,343**	1,141,886
– Third parties	**5,409,899**	6,194,741
Trade receivables, net	**6,516,966**	7,658,899

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

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

25. TRADE AND NOTES RECEIVABLES (CONTINUED)

Notes: (continued)

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

Movements of the provision for impairment of trade receivables are as follows:

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Beginning of the year	**525,185**	489,467
Provision for impairment of receivables	**135,242**	135,866
Reversal of provision for impairment of receivables	**(29,926)**	(4,102)
Receivables written off during the year as uncollectable	**–**	(9,068)
Disposal of subsidiaries	**(133,793)**	(86,978)
At the end of the year	**496,708**	525,185

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

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, domestically and internationally dispersed.

The Group does not hold any collateral as security.

Trade receivables from related parties are unsecured, interest-free and repayable on demand in accordance with the relevant contract entered into between the Group and the related parties.

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

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

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
RMB	**15,471,580**	14,377,018
US Dollar ("USD")	**42,030**	80,847
	15,513,610	14,457,865

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

(e) As at 31 December 2017, notes receivables with amount of RMB236,983,000 (2016: RMB298,331,000) are pledged to banks for notes payables amounted to RMB228,502,000 (2016: RMB296,952,000).

As at 31 December 2017, notes receivables with amount of RMB100,885,000 (2016: RMB199,883,000) are pledged to banks for borrowings amounted to RMB100,885,000 (2016: RMB199,883,000).

As at 31 December 2017, trade receivables with amount of RMB200,000,000 (2016: RMB217,926,000) are pledged to banks for borrowings amounted to RMB135,000,000 (2016: RMB215,000,000).

(f) Transfers of financial assets

As at 31 December 2017, bank acceptance notes of RMB100,885,000 (2016: RMB199,883,000) and RMB801,753,000 (2016: RMB2,304,631,000) were discounted to banks and endorsed to suppliers of the Group, but were not derecognised as the Group has not transferred the significant risks and rewards relating to those notes.

As at 31 December 2017, the Group endorsed and discounted bank acceptance notes amounting to RMB4,499,931,000 (2016: RMB5,921,422,000) to suppliers and banks. In accordance to the relevant laws in the PRC, the holders of the notes receivable have a right of recourse against the Group if the issuing banks default payment. In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership relating to these notes receivable, and accordingly derecognised the full carrying amounts of the notes receivable and associated accounts payables.

The maximum exposure to loss from the Group's continuing involvement, if any, in the endorsed and discounted notes receivable equals to their carrying amounts. In the opinion of the directors of the Company, the fair values of the Group's continuing involvement in the derecognised notes receivable are not significant.

26. PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* (Restated)
Advances to suppliers *(note (a))*	**1,370,953**	1,292,894
Entrusted loans *(note (b))*	**402,000**	1,462,000
Interest receivable	**96,388**	74,698
Dividends receivable	**267,646**	85,970
Loans to the Parent Company and fellow subsidiaries *(note (c))*	**2,642,189**	1,188,000
Other amounts due from related parties, gross *(note (d))*	**737,172**	1,210,551
Other amounts due from third parties, gross *(note (e))*	**2,111,413**	2,493,858
	7,627,761	7,807,971
Less: Impairment of prepayments and other receivables *(note (f))*	**(445,256)**	(379,272)
Prepayments and other receivables, net *(note (g))*	**7,182,505**	7,428,699

Notes:

(a) Advances to suppliers are analysed as follows:

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* (Restated)
Advances to suppliers		
– Associates	**6,379**	6,187
– Fellow subsidiaries	**50,813**	95,468
– Third parties	**1,313,761**	1,191,239
	1,370,953	1,292,894

As at 31 December 2017 and 2016, advanced to related parties are unsecured and interest-free.

(b) Entrusted loans are analysed as follows:

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Entrusted loans		
– Joint ventures *(note (i))*	**402,000**	1,352,000
– A fellow subsidiary *(note (ii))*	**–**	110,000
	402,000	1,462,000

26. PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(b) Entrusted loans are analysed as follows: (continued)

(i) As at 31 December 2017, the entrusted loan to a joint venture amounted to RMB300,000,000 (2016: RMB1,250,000,000) is unsecured and repayable in 2018 with an interest rate of 5.39% per annum (2016: RMB850,000,000 with an interest rate of 6.60% and RMB400,000,000 with an interest rate of 5.23% per annum).

As at 31 December 2017, the entrusted loan to a joint venture amounted to RMB102,000,000 (2016: RMB102,000,000) is unsecured and repayable in 2018 with an interest rate of 6.18% per annum.

(ii) As at 31 December 2016, the entrusted loan to a fellow subsidiary amounted to RMB110,000,000 is unsecured and repayable in 2017, of which RMB100,000,000 with an interest rate of 6.65% and RMB10,000,000 with an interest rate of 4.60% per annum.

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

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

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Amounts due from related parties, gross		
– Associates	**28,668**	29,632
– Fellow subsidiaries	**40,476**	570,801
– An associate of China Coal Group	**668,028**	610,118
	737,172	1,210,551
Less: Impairment of receivables	**(9,582)**	(7,843)
Amounts due from related parties, net	**727,590**	1,202,708

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

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

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* (Restated)
Within 1 year	**1,430,616**	1,438,638
1 – 2 years	**85,649**	489,628
2 – 3 years	**102,319**	59,912
Over 3 years	**492,829**	505,680
Other amounts due from third parties, gross	**2,111,413**	2,493,858
Less: Impairment of receivables	**(396,981)**	(342,994)
Other amounts due from third parties, net	**1,714,432**	2,150,864

26. PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

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

Movement of the provision for impairment of prepayments and other receivables are as follows:

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* (Restated)
At the beginning of the year	**379,272**	325,839
Provision for impairment of receivables	**113,292**	67,018
Reversal of provision for impairment of receivables	**(12,921)**	(1,247)
Disposal of subsidiaries	**(34,387)**	(12,338)
At the end of the year	**445,256**	379,272

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

(h) There are no collaterals for other receivables.

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

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* (Restated)
RMB	**5,844,201**	6,164,160
USD	**71**	–
Australian Dollar ("AUD")	**326**	80
Japanese Yen ("JPY")	**4,360**	–
Korea Won ("KRW")	**1,287**	–
	5,850,245	6,164,240

27. CASH AND BANK DEPOSITS

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* (Restated)
Restricted bank deposits *(note (a))*	**2,455,643**	1,919,510
Term deposits with initial terms of over three months	**6,174,311**	3,455,113
Cash and cash equivalents	**10,097,653**	9,920,542
– Cash on hand	**735**	1,043
– Deposits with banks and other financial institutions	**10,096,918**	9,919,499
	18,727,607	15,295,165

Notes:

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

(b) For the year ended 31 December 2017, the interest rates on deposits ranged from 0.30%to 6.20% (2016: 0.30% to 3.25%) per annum.

(c) As at 31 December 2017, deposits amounting to RMB675,546,000 (2016: RMB578,629,000) are pledged to banks for issuance of bank acceptance notes amounted to RMB1,272,024,000 (2016: RMB782,861,000).

(d) Deposits and cash and cash equivalents are denominated in the following currencies:

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* (Restated)
RMB	**18,426,818**	15,133,253
USD	**291,386**	150,108
Other currencies	**9,403**	11,804
	18,727,607	15,295,165

Cash and bank deposits are principally RMB-denominated deposits placed with banks in the PRC. The conversion of RMB-denominated deposits into foreign currencies and remittance out of the PRC are subject to certain PRC rules and regulations of foreign exchange control promulgated by the PRC government.

(e) The carrying amount of bank deposits approximates their fair value.

28. TRADE AND NOTES PAYABLES

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

Notes:

(a) Trade payables are analysed as follows:

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Trade payables		
– Fellow subsidiaries	**5,555,897**	3,385,556
– A joint venture	**1,567**	2,721
– Associates	**625,037**	163,016
– Third parties	**13,377,703**	14,562,569
	19,560,204	18,113,862

Trade payables due to related parties are unsecured, interest-free and payable in accordance with the relevant contract entered into between the Group and the related parties.

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

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

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

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
RMB	**22,491,134**	21,158,916
USD	**1,171**	1,228
AUD	**5**	2
	22,492,310	21,160,146

28. TRADE AND NOTES PAYABLES (CONTINUED)

Notes: (continued)

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

(d) As at 31 December 2017, term deposits amounted to RMB675,546,000 (2016: RMB578,629,000) are pledged to banks for issuance of bank acceptance notes amounted to RMB1,272,024,000 (2016: RMB782,861,000) (Note 27(c)).

As at 31 December 2017, notes receivables with amount of RMB236,983,000 (2016: RMB298,331,000) are pledged to banks for notes payables amounted to RMB228,502,000 (2016: RMB296,952,000) (Note 25(e)).

29. ACCRUALS, ADVANCES AND OTHER PAYABLES

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* (Restated)
Customer deposits and receipts in advance *(note (a))*	**2,679,049**	2,368,889
Payables for acquisition of subsidiaries	**618,925**	1,007,923
Payable for compensation for local mining companies	**187,547**	200,600
Dividends payable	**283,092**	332,614
Payables for site restoration	**227,704**	218,308
Mineral and water resource compensation payable	**37,184**	40,338
Salaries and staff welfare payable	**1,444,027**	835,757
Interest payable	**863,845**	813,536
Payables for mining rights *(Note 35)*	**203,699**	256,466
Advance from a non-controlling interest of a subsidiary	**187,261**	128,852
Contractors' deposits	**287,000**	555,126
Deposits from fellow subsidiaries *(note (b))*	**5,377,298**	3,402,838
Other amounts due to related parties *(note (c))*	**500,532**	571,629
Other amounts due to third parties	**1,617,483**	2,003,281
	14,514,646	12,736,157

Notes:

(a) Customer deposits and receipts in advance are analysed as follows:

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Customer deposits and receipts in advances		
– Fellow subsidiaries	**28,394**	2,297
– Joint ventures	**–**	53
– Associates	**9,289**	50,180
– Third parties	**2,641,366**	2,316,359
	2,679,049	2,368,889

29. ACCRUALS, ADVANCES AND OTHER PAYABLES (CONTINUED)

Notes: (continued)

(b) The balance represents fellow subsidiaries' deposits in the saving account at China Coal Finance Co., Ltd. ("China Coal Finance"), a 91% owned subsidiary of the Company. The deposits are unsecured and payable on demand or due within 12 months from the balance sheet date, with interest rates ranged from 0.35% to 3.15% per annum.

(c) Other amounts due to related parties are analysed below:

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Amounts due to related parties, gross		
– Parent Company	**205,494**	166,610
– Fellow subsidiaries	**291,961**	404,665
– Associate	**3,077**	–
– Joint ventures	**–**	354
	500,532	571,629

Amounts due to related parties are unsecured, interest-free and payable on demand.

(d) The carrying amounts of accruals, advance and other payables approximate their fair values.

(e) As at 31 December 2017 and 2016, the carrying amounts of accruals and other payables are all denominated in RMB.

30. SHORT-TERM BONDS

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Short-term bonds	**3,000,000**	3,000,000

On 20 July 2017, the Company issued RMB3,000,000,000 one-year short-term bonds with a par value of RMB100 each and received a net proceeds of RMB2,992,500,000 after deducting the underwriting commission of RMB7,500,000. These bonds carry a fixed coupon rate of 4.53% per annum and the interest charge will be paid when the bonds become due.

31. BORROWINGS

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Short-term borrowings		
Bank loans and loans from other financial institutions		
– Secured *(note (e))*	**120,885**	259,883
– Guaranteed *(note (d))*	**139,000**	30,000
– Unsecured	**6,696,148**	6,283,148
	6,956,033	6,573,031
Long-term borrowings		
Bank loans and loans from other financial institutions		
– Secured *(note (e))*	**3,297,534**	5,359,643
– Guaranteed *(note (d))*	**1,826,494**	2,287,576
– Unsecured	**51,493,905**	51,849,524
	56,617,933	59,496,743
Loans from non-controlling interests		
– Unsecured	**162,000**	162,000
	56,779,933	59,658,743
Less: amount due within one year under current liabilities	**(13,696,106)**	(16,161,810)
	43,083,827	43,496,933
Total borrowings	**63,735,966**	66,231,774

31. BORROWINGS (CONTINUED)

Notes:

(a) At 31 December 2017, the Group's long-term borrowings were repayable as follows：

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Bank loans and loans from other financial institutions		
– Within one year	**13,696,106**	16,161,810
– Between one and two years	**9,769,934**	12,949,758
– Between two and five years	**22,170,647**	17,926,769
– Over five years	**10,981,246**	12,458,406
	56,617,933	59,496,743
Loans from non-controlling interests		
– Between one and two years	**20,000**	–
– Between two and five years	**60,000**	60,000
– Over five years	**82,000**	102,000
	162,000	162,000

(b) At 31 December 2017, the exposure of the Group's borrowings are as follows:

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Fixed-rate borrowings	**12,050,092**	12,890,372
Variable-rate borrowings	**51,685,874**	53,341,402
	63,735,966	66,231,774

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	31 December 2017	31 December 2016
Fixed-rate borrowings	**3.92% to 6.88%**	3.92% to 6.88%
Variable-rate borrowings	**4.11% to 5.39%**	3.92% to 6.96%

(c) As at 31 December 2017 and 2016, all borrowings were denominated in RMB.

31. BORROWINGS (CONTINUED)

Notes: (continued)

(d) The guaranteed borrowings are as follows:

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Guaranteed by:		
– Guizhou Panjiang Investment Holdings Group Co., Ltd.	**65,000**	30,000
– Jizhong Energy Group Co., Ltd.	**132,844**	173,926
– the Company and Shanxi Coking Coal	**1,693,650**	2,113,650
– Liaoning Electric Group Co., Ltd.	**74,000**	–
	1,965,494	2,317,576

(e) The secured borrowings are as follows:

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Secured by:		
– Property, plant and equipment	**3,162,534**	5,099,643
– Land use rights	**20,000**	25,000
– Mining rights	**–**	80,000
– Trade and notes receivables	**235,885**	414,883
Total	**3,418,419**	5,619,526

All the other borrowings of the Group are unsecured bank loans.

32. LONG-TERM BONDS

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Bonds payable	**26,770,347**	25,744,417
Commission payable – non-current	**96,000**	156,000
	26,866,347	25,900,417

Notes:

(a) On 18 September 2012, the Company issued 50,000,000 corporate bonds with a par value of RMB100 each and received a total proceeds of RMB5,000,000,000. The bonds are fully repayable on 19 September 2019 when they become due. These bonds carry a coupon rate of 5.12% annum and the interest charge will be paid on 19 September annually in each of the following seven years. The effective interest rate is 5.38% per annum.

In addition, the Company is obliged to pay RMB84,000,000 to the underwriter as the underwriting commission, which is payable in seven instalments of RMB12,000,000 annually. First instalment of RMB12,000,000 was paid on 19 September 2012 when the transaction was completed and the same amount is payable on 19 September in each of the following six years.

32. LONG-TERM BONDS (CONTINUED)

Notes: (continued)

(b) On 23 July 2013, the Company issued 50,000,000 corporate bonds with a par value of RMB100 each and received a total proceeds of RMB5,000,000,000. The bonds are fully repayable on 25 July 2020 when they become due. These bonds carry a coupon rate of 5.26% per annum and the interest charge will be paid on 25 July annually in each of the following seven years. The effective interest rate is 5.51% per annum.

In addition, the Company is obliged to pay RMB84,000,000 to the underwriter as the underwriting commission, which is payable in seven instalments of RMB12,000,000 annually. First instalment of RMB12,000,000 was paid on 25 July 2013 when the transaction was completed and the same amount is payable on 25 July in each of the following six years.

(c) On 16 September 2013, the Company issued 50,000,000 corporate bonds with a par value of RMB100 each and received a total proceeds of RMB5,000,000,000. The bonds are fully repayable on 18 September 2020 when they become due. These bonds carry a coupon rate of 5.60% per annum and the interest charge will be paid on 18 September annually in each of the following seven years. The effective interest rate is 5.85% per annum.

In addition, the Company is obliged to pay RMB84,000,000 to the underwriter as the underwriting commission, which is payable in seven instalments of RMB12,000,000 annually. As agreed with the underwriter, first instalment of RMB12,000,000 was paid on 18 September 2014 and the same amount is payable on 19 September in each of the following six years.

(d) On 23 October 2014, Shanghai Datun issued 10,000,000 corporate bonds with a par value of RMB100 each and received a net proceeds of RMB985,000,000 after deducting the underwriting commission of RMB15,000,000. The bonds are fully repayable on 23 October 2019 when they become due. These bonds carry a coupon rate of 5.28% per annum and the interest charge will be paid on 23 October annually in each of the following five years. The effective interest rate is 5.63% per annum.

(e) On 17 June 2015, the Company issued 100,000,000 corporate bonds with a par value of RMB100 each and received a total proceeds of RMB10,000,000,000. The bonds are fully repayable on 18 June 2022 when they become due. These bonds carry a coupon rate of 4.95% per annum and the interest charge will be paid on 18 June annually in each of the following seven years. The effective interest rate is 5.20% per annum.

In addition, the Company is obliged to pay RMB168,000,000 to the underwriter as the underwriting commission, which is payable in seven instalments of RMB24,000,000 annually. As agreed with the underwriter, first instalment of RMB24,000,000 was paid on 18 June 2015 when the transaction was completed and the same amount is payable on 18 June in each of the following six years.

(f) On 20 July 2017, the Company issued 10,000,000 corporate bonds with a par value of RMB100 each and received a net proceeds of RMB997,000,000 after deducting the underwriting commission of RMB3,000,000. These bonds carry a coupon rate of 4.61% per annum with teams of 5 years, the interest charge will be paid 20 July annually. The Company is entitled to adjust the coupon rate at the end of the third year with the rights of redemption exercisable by the bond holders.

The bonds are initially recognised at the amount of the total proceeds net of the commission paid or payable on the dates of issuance. The accrued interest and the current portion of commission payable are recorded in interest payable and other payables as follows:

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Interest payable for long-term bonds	**562,446**	541,750
Commission payable – current	**141,000**	103,200
	703,446	644,950

The fair value of long-term bonds is as follows:

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Long-term bonds	**27,199,966**	26,831,000

The fair values of long-term bonds are within Level 1 of the fair value hierarchy.

33. DEFERRED INCOME TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Deferred tax liabilities:		
Deferred tax assets	**2,783,753**	2,982,306
Deferred tax liabilities	**(5,988,603)**	(6,738,669)
	(3,204,850)	(3,756,363)

The gross movements on the deferred tax account are as follows:

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Beginning of the year	**(3,756,363)**	(4,395,998)
Disposals of subsidiaries *(Note 38)*	**(20,609)**	(40,182)
Acquisition of a subsidiary	**–**	(8,349)
Credited to profit or loss *(Note 13)*	**572,477**	687,625
(Charged) credited to other comprehensive income *(Note 13)*	**(355)**	541
End of year	**(3,204,850)**	(3,756,363)

Deferred income tax assets are recognised for tax losses carried-forward and deductible temporary differences to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group had not recognised deferred income tax assets in respect of certain subsidiaries' accumulated tax losses of RMB1,150,318,000 (2016: RMB1,134,708,000) and deductible temporary differences of RMB1,239,169,000 (2016: RMB478,930,000) respectively as at 31 December 2017. The accumulated tax losses will expire between 2018 and 2022. The Group did not recognise these deferred income tax assets as management believes that it is more likely than not that such tax losses and deductible temporary differences would not be utilised in the foreseeable future.

33. DEFERRED INCOME TAX (CONTINUED)

Tax losses that has not been recognised as deferred income tax assets will be expired in the following years：

	31 December 2017 RMB'000	31 December 2016 RMB'000
2017	–	55,373
2018	61,267	107,272
2019	152,532	180,304
2020	201,521	217,258
2021	466,977	574,501
2022	268,021	–
	1,150,318	1,134,708

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

Deferred tax assets:

	Trial production RMB'000	Unrealised profit RMB'000	Tax losses RMB'000	Amortisation RMB'000	Impairment of assets RMB'000	Deductible temporary differences arising from investments in subsidiaries RMB'000	Accrued expenses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016	163,319	104,837	1,734,930	108,506	165,879	–	111,761	117,964	2,507,196
(Charged)/credited to profit or loss	(69,454)	35,644	498,318	(21,209)	50,537	32,440	15,922	51,472	593,670
Acquisition of a subsidiary	–	–	–	–	110	–	–	–	110
Disposal of subsidiaries	–	–	(23,621)	–	(16,561)	–	–	–	(40,182)
At 31 December 2016	93,865	140,481	2,209,627	87,297	199,965	32,440	127,683	169,436	3,060,794
Credited/(charged) to profit or loss	**2,607**	**(48,714)**	**670,258**	**32,374**	**117,146**	**52,261**	**149,076**	**104,372**	**1,079,380**
Disposal of subsidiaries	**–**	**–**	**(4,766)**	**–**	**(17,880)**	**–**	**–**	**–**	**(22,646)**
At 31 December 2017	**96,472**	**91,767**	**2,875,119**	**119,671**	**299,231**	**84,701**	**276,759**	**273,808**	**4,117,528**

33. DEFERRED INCOME TAX (CONTINUED)

Deferred tax liabilities:

	Depreciation	Mining funds (note (a))	Fair value adjustments not deductible for tax purpose	Fair value adjustments for available-for-sale assets	Deferred stripping costs	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	(28,721)	(818,788)	(6,051,324)	(4,299)	–	(62)	(6,903,194)
Credited/(charged) to profit or loss	7,389	52,342	38,736	–	–	(4,512)	93,955
Credited to other comprehensive income	–	–	–	541	–	–	541
Acquisition of a subsidiary	–	–	(8,459)	–	–	–	(8,459)
At 31 December 2016	(21,332)	(766,446)	(6,021,047)	(3,758)	–	(4,574)	(6,817,157)
Credited/(charged) to profit or loss	**10,144**	**70,960**	**149,451**	**–**	**(741,970)**	**4,512**	**(506,903)**
Charged to other comprehensive income	**–**	**–**	**–**	**(355)**	**–**	**–**	**(355)**
Disposal of subsidiaries	**–**	**–**	**2,037**	**–**	**–**	**–**	**2,037**
At 31 December 2017	**(11,188)**	**(695,486)**	**(5,869,559)**	**(4,113)**	**(741,970)**	**(62)**	**(7,322,378)**

Note:

(a) Pursuant to certain regulations of the PRC government, the Group is required to set aside amounts for the future development funds (Note 37 (b)), safety fund (Note 37 (c)), transformation and environmental restoration fund (Note 37 (d)(i)) and sustainable development fund (Note 37 (d)(ii)), collectively the "mining funds". Before 30 April 2011, for those amounts that are deductible for tax purposes when they are set aside but are expensed when they are utilised for accounting purpose, a deferred tax liability is recorded for the temporary differences in respect of excess amount of funds deducted for tax purposes.

According to a new PRC tax regulation effective from 1 May 2011, future development funds and safety funds are no longer tax deductible when they are set side but only tax deductible when they are utilised. As such, no additional deferred tax liability will be generated for these mining funds from 1 May 2011 onwards.

34. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	2017	2016
	RMB'000	*RMB'000*
Beginning of the year	**1,378,108**	1,332,372
Interest charge on unwinding of discounts	**38,625**	40,569
Provision	**20,315**	80,609
Reversal	**(47,538)**	–
Payments	**(23,712)**	(75,442)
End of the year	**1,365,798**	1,378,108
Less: current portion	**(18,950)**	(25,758)
	1,346,848	1,352,350

Mining activities may result in land subsidence, which could lead to losses to the residents of the mining areas. Pursuant to the relevant PRC regulations, the Group is required to make compensation payments to the residents for their losses resulting from land subsidence, or to restore the mining areas back to certain acceptable conditions.

Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or results of operations of the Group. The PRC government, however, has moved and may move further towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to, coal mines and land development areas, whether operating, closed or sold, (ii) the extent of required cleanup efforts, (iii) varying costs of alternative remediation strategies, (iv) changes in environmental remediation requirements, and (v) the identification of new remediation sites.

The provision for close down, restoration and environmental clean up costs has been determined by management based on their past experience and best estimate of future expenditure by discounting the expected expenditures to their net present value. However, in so far as the effect on the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to revision in the future. The amounts provided in relation to close down, restoration and environmental clean up costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are updated accordingly.

35. OTHER LONG-TERM LIABILITIES

	2017	2016
	RMB'000	*RMB'000*
Payables for mining rights	**580,188**	744,847
Others	**447,523**	278,861
	1,027,711	1,023,708
Less: current portion *(Note 29)*	**(203,699)**	(256,466)
	824,012	767,242

Note:

The payables for mining rights are mainly the unpaid balances of the consideration for purchasing mining rights.

According to relevant purchase agreements, considerations are paid by instalment before April 2021. The current portion of the payables is included in other payables (Note 29).

36. SHARE CAPITAL

	Number of shares *(thousands)*	**Share capital** *RMB'000*
At 31 December 2016 and 2017:		
Domestic shares ("A shares") of RMB1.00 each		
– held by China Coal Group	7,605,208	7,605,208
– held by other shareholders	1,546,792	1,546,792
H shares of RMB1.00 each		
– held by a wholly-owned subsidiary of China Coal Group	132,351	132,351
– held by other shareholders	3,974,312	3,974,312
	13,258,663	13,258,663

There is no movement in the Company's issued share capital during the year ended 31 December 2017 and 2016.

Notes:

(a) The A shares rank pari passu, in all material respects, with the H shares.

(b) As at 31 December 2017 and 2016, China Coal Hong Kong Company Limited, a wholly-owned subsidiary of China Coal Group, held approximately 132,351,000 H Shares of the Company, representing around 1.00% of the Company's total share capital.

37. RESERVES AND RETAINED EARNINGS

	Capital reserve	Statutory reserve funds	General Reserve	Future development fund	Safety fund	Other funds related to coal mining	Translation reserve	Other reserves	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(note a)		*(note b)*	*(note c)*	*(note d)*				
Balance at 1 January 2016, as original stated	31,056,891	3,992,822	123,919	48,550	36,507	1,313,446	(75,724)	6,278,921	27,673,574	70,448,906
Effect of business combination under common control *(note (e))*	3,641	–	–	–	–	–	(7,618)	–	27,292	23,315
Balance at 1 January 2016, (restated)	31,060,532	3,992,822	123,919	48,550	36,507	1,313,446	(83,342)	6,278,921	27,700,866	70,472,221
Profit for the year (restated)	–	–	–	–	–	–	–	–	1,716,167	1,716,167
Other comprehensive income/(expense) (restated)	–	–	–	–	–	–	25,676	(1,622)	–	24,054
Appropriations	–	37,786	129,500	124,785	304,216	(641,298)	–	–	45,011	–
Share of other change of reserve of associates and joint ventures	–	–	–	–	–	–	–	(3,319)	3,319	–
Contributions	4,728	–	–	–	–	–	–	–	–	4,728
Acquisition of non-controlling interests	–	–	–	–	–	–	–	604,307	–	604,307
Loss of control over subsidiaries	–	–	–	–	(4,854)	–	–	–	4,854	–
Others	–	–	–	–	–	–	–	(5,860)	–	(5,860)
Balance at 31 December 2016 (restated)	31,065,260	4,030,608	253,419	173,335	335,869	672,148	(57,666)	6,872,427	29,470,217	72,815,617
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,489,890**	**3,489,890**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**5,011**	**1,065**	**–**	**6,076**
Appropriations	**–**	**67,282**	**–**	**1,205,847**	**525,751**	**(572,824)**	**–**	**–**	**(1,226,056)**	**–**
Share of other change of reserve of associates and joint ventures	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**44,610**	**(44,610)**	**–**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(516,851)**	**(516,851)**
Acquisition of subsidiaries under common control *(note (e))*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(39,328)**	**–**	**(39,328)**
Loss of control over subsidiaries	**(8,743)**	**–**	**–**	**(607)**	**–**	**–**	**–**	**–**	**9,350**	**–**
Others	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,782)**	**(2,782)**
Balance at 31 December 2017	**31,056,517**	**4,097,890**	**253,419**	**1,378,575**	**861,620**	**99,324**	**(52,655)**	**6,878,774**	**31,179,158**	**75,752,622**

37. RESERVES AND RETAINED EARNINGS (CONTINUED)

Notes:

(a) Statutory reserve funds

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

(b) Future development fund

Pursuant to the relevant PRC regulations, the Group is required to set aside an amount to a future development fund at RMB6 to RMB8 (2016: RMB6 to RMB8) per ton of raw coal mined. The fund can be used for future development of the coal mining operations, and is not available for distribution to shareholders. Upon incurring qualifying development expenditures, an equivalent amount should be transferred from future development fund to retained earnings.

(c) Safety fund

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

(d) Other funds relevant to coal mining

(i) Transformation and environmental restoration fund

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

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

(ii) Sustainable development fund

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

37. RESERVES AND RETAINED EARNINGS (CONTINUED)

Notes: (continued)

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

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

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

Accordingly, the consolidated statement of financial position as at 31 December 2016 have been restated to include the assets and liabilities of China Japan Coal Co., Ltd., Japan office and Seoul office at carrying amounts in the books of China Coal Group and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group prior to the 2017 Acquisitions have been restated to include the results of operations and cash flows of China Japan Coal Co., Ltd., Japan office and Seoul office on a combined basis.

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

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

38. DISPOSAL OF SUBSIDIARIES

The Group and another shareholder hold 50% and 50% interests of Xi'an Coal Mining Machinery Co., Ltd. ("Xi'an Machinery") respectively. Xi'an Machine is previously accounted as a subsidiary of the Company after consideration of the concerted action letter from the other shareholder. During the year, the concerted action letter was not renewed. It is treated as deemed disposal of a subsidiary, and the Group accounted the investment in Xi'an Machine as a joint venture.

During the year, the Group disposed entire interests of China Coal and Coke Holdings Limited (Tianjin) and Shanxi Coal Transportation and Sales Co., Ltd. to the Parent Company with the consideration amounting to RMB13,421,000.

During the year, the Group entered into a Capital Injection Agreement with the Parent Company, the Group intended to obtain 29.32% equity interests of Pingshuo Industrial Company Limited ("Pingshuo Industrial") by injection of certain assets and liabilities, 80% equity interests of China Coal Pingshuo Explosion Equipment Co., Ltd., 60% equity interests of China Coal Huayu Equipment Maintenance Co., Ltd. and related debts. After the injection, the Group has 29.32% equity shares of Pingshuo Industrial, which is accounted as an associate of the Group.

38. DISPOSAL OF SUBSIDIARIES (CONTINUED)

The carrying amount of identifiable assets and liabilities disposed as at the disposal date were as follows:

	RMB'000
Consideration received:	
Cash received	13,421
Fair value of the interest in Pingshuo Industrial	1,571,393
Fair value of the interest in Xi'an Machine	300,784
Total consideration received	1,885,598
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	1,738,106
Intangible assets	5,852
Land use rights	127,796
Deferred income tax assets	22,646
Other non-current asset	10,927
Inventories	572,584
Trade and notes receivables	1,657,316
Prepayments and other receivables	128,183
Bank and cash balances	266,110
Trade and notes payables	(746,220)
Short-term borrowings	(35,000)
Taxes payable	(32,163)
Accruals and other payables	(1,506,103)
Deferred income tax liabilities	(2,037)
Deferred revenue	(1,849)
Net assets disposed of:	2,206,148
Gain on disposal of subsidiaries and certain assets and liabilities:	
Total consideration received	1,885,598
Net assets disposed of	(2,206,148)
Non-controlling interest	387,134
	66,584
Net cash outflow arising on disposal:	
Cash consideration	13,421
Less: bank balances and cash disposed of	(266,110)
	(252,689)

During the year ended 31 December 2016, the Group disposed of its 100% equity interests in Xuzhou Sifang Aluminum Energy Co., Ltd., China Coal Handan Coal Mining Equipment Co.,Ltd., Lingshi China Coal Chemical Co., Ltd., Shanxi China Coal Pingshuo Dongrisheng Co., Ltd. and 91% equity interests in Lingshi China Coal Jiuxin Coking Co., Ltd. to China Coal Group with the consideration of RMB194,842,000, the carrying amount of net liabilities on disposal date is RMB822,986,000, the gain on disposal of subsidiaries is RMB1,017,828,000.

39. CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to net cash inflows generated from operations

	2017 *RMB'000*	2016 *RMB'000* (restated)
Profit before income tax	**7,326,252**	3,002,878
Adjustments for:		
Depreciation charge	**6,164,207**	6,081,456
Net (gain)/losses on disposals of property, plant and equipment, land use rights and intangible assets	**(83,374)**	155,703
Amortisation charge	**603,712**	474,201
Provision for impairment of property, plant and equipment	**801,415**	210,849
Provision for impairment of receivables	**208,260**	197,535
Provision for impairment of other non-current assets	**154,076**	17,200
Provision for impairment of inventories	**50,023**	38,350
Provision for impairment of land use rights	**24,445**	–
Provision for impairment of mining rights	**686,580**	–
Provision for impairment of available-for-sale assets	**41,658**	135,879
Share of profits of associates and joint ventures	**(1,122,493)**	(608,008)
Net foreign exchange losses	**14,346**	10,192
Gain on disposal of subsidiaries	**(66,584)**	(1,017,828)
Loss on disposal of business of Long Dong Mine	**–**	9,549
Gain on business combination of an associate	**–**	(9,811)
Interest income on term deposits with initial terms of over three months and loans receivable	**(203,329)**	(227,000)
Interest expense	**3,778,567**	4,329,495
Dividend income	**(79,537)**	(13,300)
(Reversal)/provision for close down, restoration, and environmental costs	**(27,223)**	80,609
Operating cash flows before movement in working capital	**18,271,001**	12,867,949
Changes in working capital:		
Inventories	**(619,467)**	(860,601)
Trade and notes receivables	**(4,203,878)**	(3,051,705)
Prepayments and other receivables	**167,935**	(512,768)
Trade and notes payables	**3,853,918**	2,322,366
Accruals, advances and other payables	**2,283,560**	1,286,531
Restricted bank deposits	**(536,133)**	666,529
Cash generated from operations	**19,216,936**	12,718,301

39. CASH GENERATED FROM OPERATIONS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings *RMB'000*	Short-term bonds *RMB'000*	Long-term bonds *RMB'000*	Other payables *(note)* *RMB'000*	Other long-term liabilities *RMB'000*	Total *RMB'000*
At 1 January 2017	66,231,774	3,000,000	25,900,417	1,422,775	33,080	96,588,046
Proceeds from bonds and borrowings	20,691,188	2,992,500	997,000	–	12,440	24,693,128
Repayment of bonds and borrowings	(22,952,113)	(3,000,000)	–	–	–	(25,952,113)
Dividend and interest paid	–	–	–	(6,133,194)	–	(6,133,194)
Bonds commission fee paid	–	–	–	(50,700)	–	(50,700)
Payment for acquisition of non-controlling interest	–	–	–	(173,425)	–	(173,425)
Disposal of subsidiaries	(35,000)	–	–	(159,650)	–	(194,650)
Finance costs	–	–	64,760	4,954,529	–	5,019,289
Dividend declared	–	–	–	1,339,102	–	1,339,102
Repayment of borrowings by bank acceptance notes	(199,883)	–	–	–	–	(199,883)
Transfer	–	7,500	(96,000)	88,500	–	–
Others	–	–	170	–	–	170
At 31 December 2017	**63,735,966**	**3,000,000**	**26,866,347**	**1,287,937**	**45,520**	**94,935,770**

Note: Amounts mainly represented dividends payable, interest payables, bond commission fee payables and payables for acquisition of non-controlling interests.

(c) Major non-cash transactions

The principal non-cash transactions for the year ended 31 December 2017 includes:

The Group endorsed bank acceptance notes amounting to RMB1,041,527,000 (2016: RMB1,715,440,000) to settle the payables for purchase of property, plant and equipment during the year.

The Group injected certain assets and liabilities, 80% equity interests in China Coal Pingshuo Explosion Equipment Co., Ltd., 60% equity interests in China Coal Huayu Equipment Maintenance Co., Ltd. and debts to Pingshuo Industrial, a subsidiary of China Coal Group, in exchange of 29.32% equity interests of Pingshuo Industrial as detailed in Note 38.

40. CONTINGENT LIABILITIES

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

41. FINANCIAL GUARANTEE CONTRACTS

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

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

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

42. FINANCIAL RISK MANAGEMENT

42.1 Categories of financial instruments

	31 December 2017		
	Loans and receivables *RMB'000*	**Available-for-sale assets** *RMB'000*	**Total** *RMB'000*
Assets			
Available-for-sale assets	–	**3,491,691**	**3,491,691**
Trade and other receivables excluding prepayments	**20,295,609**	–	**20,295,609**
Long-term receivables	**144,898**	–	**144,898**
Other non-current assets – loans to fellow subsidiaries	**608,850**	–	**608,850**
Restricted bank deposits and term deposits	**8,629,954**	–	**8,629,954**
Cash and cash equivalents	**10,097,653**	–	**10,097,653**
Total	**39,776,964**	**3,491,691**	**43,268,655**

	Financial liabilities at amortised cost *RMB'000*
Liabilities	
Borrowings	**63,735,966**
Trade and other payables	**32,865,644**
Other long-term liabilities	**669,371**
Bonds	**29,866,347**
Total	**127,137,328**

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Categories of financial instruments (continued)

	31 December 2016 (Restated)		
	Loans and receivables	**Available-for-sale assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Assets			
Available-for-sale assets	–	5,467,784	5,467,784
Trade and other receivables excluding prepayments	19,427,186	–	19,427,186
Long-term receivables	147,138	–	147,138
Other non-current assets – loans to fellow subsidiaries	811,800	–	811,800
Restricted bank deposits and term deposits	5,374,623	–	5,374,623
Cash and cash equivalents	9,920,542	–	9,920,542
Total	35,681,289	5,467,784	41,149,073

	Financial liabilities at amortised cost
	RMB'000
Liabilities	
Borrowings	66,231,774
Trade and other payables	30,683,816
Other long-term liabilities	698,841
Bonds	28,900,417
Total	126,514,848

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.2 Financial risk management objectives and policies

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign currency risk

The Group's operations (such as export sales, imports of machinery and equipment, foreign currency deposits (Note 27(d)), trade and notes receivables (Note 25(c)) expose it to currency risk arising from various currency exposures primarily with respect to the USD.

The Group historically has not used any derivative instruments to hedge exchange rate of USD and currently does not have a fixed policy to do so in the foreseeable future. If USD had appreciated/depreciated by 10% against RMB, the Group's post-tax profit for 2017 would have increased/decreased approximately by RMB24,924,000 (2016: RMB17,230,000), with all other variables held constant.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term interest bearing borrowings including long-term borrowings and long-term bonds. Borrowings at variable rates expose the Group to cash flow interest-rate risk while borrowings and long-term bonds at fixed rates expose the Group to fair value interest-rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates.

Other than those mentioned above, the Group's income and operating cash flows are substantially independent of changes in the market interest rates.

If interest rates on borrowings at variable rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for 2017 would have been approximately RMB143,428,000 (2016: RMB150,023,000) lower/higher after consideration of capitalisation of interest expenses.

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.2 Financial risk management objectives and policies (continued)

Financial risk factors (continued)

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk mainly arises from cash and cash equivalents, trade and notes receivables, prepayments and other receivables, long-term receivables, loans to fellow subsidiaries under other non-current assets and the financial guarantees provided to the companies out of the Group.

The Group expects that there is no significant credit risk associated with cash at bank since they are principally deposited at state-owned banks and other listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to monitor the credit exposure on trade and notes receivable, prepayments and other receivables, long-term receivables and loans to fellow subsidiaries under other non-current assets. The Group assesses the credit quality of and sets credit limits on its customers, by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

The Group manages the credit risk arising from the financial guarantees provided to the companies out of the Group by its regular supervision of the operation and financial condition of those companies. The face value of the financial guarantees as disclosed in Note 41 represents the maximum exposure of the Group in respect of the credit risk arising from the financial guarantees.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of borrowing facilities. Due to the dynamic nature of the underlying businesses, the Group maintains a reasonable level of cash and cash equivalents, and further supplements this by keeping committed credit lines available.

The Group's primary cash requirements have been for purchases of materials, machinery and equipment and payment of related debts. The Group finances its working capital requirements through a combination of funds generated from operations, bank loans, bonds and the net proceeds from share issue.

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents (Note 27)) on the basis of expected cash flow.

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.2 Financial risk management objectives and policies (continued)

Financial risk factors (continued)

(c) Liquidity risk (continued)

As at 31 December 2017, the Group's current liabilities exceeded its current assets by approximately RMB14,060 million. The details of the way to mitigate the liquidity risk are set out in Note 2.1.

The table below analyses the undiscounted cash outflow relating to the Group's financial liabilities into relevant maturity groupings based on the earliest date on which the Group can be required to pay.

	Weighted average interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017							
Bank borrowings	**4.97%**	**23,376,147**	**11,787,903**	**25,586,821**	**14,998,870**	**75,749,741**	**63,735,966**
Bonds	**5.03%**	**4,452,900**	**7,440,900**	**23,170,100**	**–**	**35,063,900**	**29,866,347**
Trade and other payables	**N/A**	**32,865,644**	**–**	**–**	**–**	**32,865,644**	**32,865,644**
Other long-term liabilities	**N/A**	**–**	**369,433**	**318,484**	**9,890**	**697,807**	**669,371**
Financial guarantees	**N/A**	**16,522,207**	**–**	**–**	**–**	**16,522,207**	**–**
Total		**77,216,898**	**19,598,236**	**49,075,405**	**15,008,760**	**160,899,299**	**127,137,328**
At 31 December 2016							
Bank borrowings	5.02%	25,587,885	14,919,783	21,553,483	14,727,313	76,788,464	66,231,774
Bonds	5.08%	4,406,800	1,406,800	18,999,800	10,519,000	35,332,400	28,900,417
Trade and other payables	N/A	30,683,816	–	–	–	30,683,816	30,683,816
Other long-term liabilities	N/A	–	329,739	417,997	–	747,736	698,841
Financial guarantees	N/A	16,389,941	–	–	–	16,389,941	–
Total		77,068,442	16,656,322	40,971,280	25,246,313	159,942,357	126,514,848

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses. For information relating to the Group's financial guarantee contracts, please refer to Note 41.

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Fair value estimation

The table below analysed financial instruments carried at fair value, by valuation method. The different levels have been defined in Note 4.

As at 31 December 2017, the Group has the following assets which were defined as Level 1.

	As at 31 December 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Available-for-sale assets		
– Equity securities (Level 1)	**33,086**	18,627

Financial instruments in Level 1

The fair value of financial instruments traded in active market is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

42.4 Fair value of financial assets and liabilities measured at amortised cost

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair value.

	As at 31 December 2017 *RMB'000*		As at 31 December 2016 *RMB'000*	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Long-term borrowings (Level 2)	**43,083,827**	**43,369,188**	43,496,933	43,743,469
Long-term bonds (Level 1)	**26,866,347**	**27,199,966**	25,900,417	26,831,000

The fair value of long-term borrowings was determined based on discounted cash flows and the key input is the discount rate that reflects the credit risk of the issuers. The fair value of long-term bonds was based on quoted market price.

Notes to the Consolidated Financial Statements

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43. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, bonds and deposits from fellow subsidiaries less cash and cash equivalents. Total capital is calculated as "equity" under China Accounting Standards for Business Enterprises and net debt.

The gearing ratios at 31 December 2017 and 2016 were as follows:

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* (Restated)
Total borrowings, bonds and deposits from fellow subsidiaries	**98,979,611**	98,535,029
Less: cash and cash equivalents	**(10,097,653)**	(9,920,542)
Net debt	**88,881,958**	88,614,487
Total equity	**106,084,548**	101,987,726
Total capital	**194,966,506**	190,602,213
Gearing ratio	**46%**	46%

44. COMMITMENTS

(a) Capital commitments

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

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

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

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

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

44. COMMITMENTS (CONTINUED)

(c) Investment commitments

According to the agreement entered into on 29 June 2011 among the Company, Yima Coal Industry Group Company Limited and Shanxi Haizi Jiaohua Company Limited ("Haizi Jiaohua"), as at 31 December 2017, the Company has paid RMB168 million to Haizi Jiaohua as part of the consideration to acquire 51% interests of exploration or mining rights and related interests in coal reserve in Shanxi Puxian China Coal Jinchang Mining Company Limited and committed to pay the remaining consideration of RMB311 million in the future when certain conditions are fulfilled.

According to the agreement entered into on 29 June 2011 between the Company and Haizi Jiaohua, by 31 December 2017, the Company has paid RMB259 million to Haizi Jiaohua as part of the consideration to acquire 63% interests of exploration or mining rights and related interests in coal reserve in Shanxi Puxian China Coal Yushuo Mining Company Limited and committed to pay the remaining consideration of RMB481 million in the future when certain conditions are fulfilled.

According to the agreement entered into on 15 July 2006, Zhongtian Synergetic was established by the Company, China Petroleum & Chemical Corporation and other three companies. As a 38.75% shareholder, by 31 December 2017 the Company has invested RMB6,787 million in Zhongtian Synergetic and is committed to further invest RMB481 million by instalments in the future.

According to the agreement entered into on 28 May 2008, Mengji Railway Company Limited ("Mengji Railway") was established by the Company, Hohhot Railway Bureau and other seven companies. As a 5% shareholder, by 31 December 2017 the Company has invested RMB1,400 million in Mengji Railway and is committed to further invest RMB100 million by instalments in the future.

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

45. SIGNIFICANT RELATED PARTY TRANSACTIONS

Transactions and balances with the PRC government-related entities

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities").

Set out below is a summary of significant related party transactions in the years ended 31 December 2017 and 2016.

45. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions and balances with the PRC government-related entities (continued)

(a) Transactions with the Parent Company, fellow subsidiaries, associates and joint ventures of the Group, and primary shareholders with significant influence over subsidiaries

In addition to those disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties:

	2017 *RMB'000*	2016 *RMB'000*
Transactions with the Parent Company and fellow subsidiaries		
Coal Export and Sales (i)		
Charges paid for agency services of coal export	**752**	2,577
Integrated Material and Services Mutual Provision (ii)		
Purchase of production material, machinery and equipment from the Parent Company and fellow subsidiaries	**3,105,508**	2,660,428
Charges for social and support services provided by the Parent Company and fellow subsidiaries	**78,769**	44,556
Sales of production material, machinery and equipment to the Parent Company and fellow subsidiaries	**701,930**	693,961
Revenue of coal export-related services from the Parent Company and fellow subsidiaries	**–**	12,385
Mine Construction, Design and General Contracting Service (iii)		
Charges for mine construction and design services provided by the Parent Company and fellow subsidiaries	**1,862,330**	2,309,368
Property Leasing (iv)		
Rental fees paid to the Parent Company and fellow subsidiaries	**81,661**	86,510
Land Use Right Leasing (v)		
Rental fees paid to the Parent Company and fellow subsidiaries	**49,867**	56,085
Coal Supplies (vi)		
Coal purchased from the Parent Company and fellow subsidiaries	**3,628,760**	3,666,753
Financial Services (vii)		
Loans provided to the Parent Company and fellow subsidiaries	**5,123,312**	6,091,213
Loans repayment received from the Parent Company and fellow subsidiaries	**3,920,000**	4,660,000
Deposits received from the Parent Company and fellow subsidiaries	**1,931,610**	–
Decrease in deposits from the Parent Company and fellow subsidiaries	**–**	1,604,498
Interest paid to the Parent Company and fellow subsidiaries	**57,843**	38,059
Interest received from the Parent Company and fellow subsidiaries	**91,561**	67,599
Charges for providing entrusted loans	**2,926**	148
Fee paid for use of trademark to the Parent Company (viii)	**RMB1**	RMB1

45. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions and balances with the PRC government-related entities (continued)

(a) Transactions with the Parent Company, fellow subsidiaries, associates and joint ventures of the Group, and primary shareholders with significant influence over subsidiaries (continued)

Notes:

(i) Under the relevant PRC laws and regulations, coal exports shall only be made through one of four authorised PRC enterprises including China Coal Group. The Company appointed China Coal Group as its coal export sales agent under a Coal Export and Sales Agency Framework Agreement entered into on 5 September 2006. Pursuant to the agreement, the agency fee is determined based on market price and the agency fee for the coal exports and sales to the China Taiwan market is extra plus USD0.5 per ton of coal products sold. The agency fees are payable on a monthly basis, effective from 31 December 2008.

(ii) The Company and China Coal Group entered into Integrated Materials and Services Mutual Provision Framework Agreement on 5 September 2006, under which the Company provides to China Coal Group and China Coal Group provides to the Company production material supplies and ancillary services, and the Company also provides to China Coal Group export-related services. The Company and China Coal Group entered into Supplementary Agreement to Integrated Materials and Services Mutual Provision Framework Agreement on 31 December 2012. Pursuant to the agreement, the service fee is 65% of the actual export agency fee charged by China Coal Group in respect of each ton of coal products exported. The above two agreements had been renewed to extend the term to 31 December 2020.

(iii) The Company and China Coal Group entered into Mine Construction and Design Framework Agreement on 5 September 2006, followed with contract renewal under the name of Mine Construction, Mine Design and General Contracting Service Framework Agreement upon its expiry date of 31 December 2008. Subsequently, the Company and China Coal Group extended this contract and changed its name to Project Design, Construction and General Contracting Framework Agreement when the contract was due on 31 December 2011. The deal mainly included:

- China Coal Group provides the Company with engineering design, construction and general contracting;
- China Coal Group undertakes projects which the Company subcontracts;
- For engineering design, construction and general contracting, services providers and pricing would be determined in the form of public bidding; and
- The agreement was effective until 31 December 2014.

The agreement had been renewed to extend the term to 31 December 2020.

(iv) The Company and China Coal Group entered into a Property Lease Framework Agreement on 5 September 2006, pursuant to which the Company leases from China Coal Group certain buildings and properties in the PRC for general business and ancillary purposes. The annual lease payment is subject to review and adjustment every three year based on market price. The Company and China Coal Group renewed the Property Leasing Framework Agreement in 2014, which is effective until December 2024, agreeing a cap of annual lease payment of RMB105,000,000 for 2015 to 2017.

(v) The Company and China Coal Group entered into a Land Use Rights Lease Framework Agreement on 5 September 2006, pursuant to which the Company leases certain land use rights in the PRC from China Coal Group for general business and ancillary purposes. The annual lease payment is subject to review and adjustment every three year based on market price. This agreement is effective for 20 years. The cap of annual lease payment for 2015 to 2017 is RMB61,000,000.

(vi) The Company and China Coal Group entered into a Coal Supplies Framework Agreement on 5 September 2006, pursuant to which China Coal Group will sell all coal products produced from its retained mines exclusively to the Company, and has undertaken not to sell any such coal products to any third party. The agreement had been renewed to extend the term to 31 December 2020.

(vii) China Coal Finance Co., Ltd. and China Coal Group entered into a Financial Services Framework Agreement on 18 March 2014, under which the Company provides financial services to China Coal Group within its business scope. This agreement was effective until 31 December 2014, and had been renewed to extend the term to 31 December 2020.

(viii) The Company and China Coal Group entered into a Trademark License Framework Agreement on 5 September 2006, under which the Company is authorised to use partial registered trademarks of companies without use at the cost of RMB1. This agreement was effective for 10 years, and had been renewed on 23 August 2016 to extend the term to 22 August 2026.

45. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions and balances with the PRC government-related entities (continued)

(a) Transactions with the Parent Company, fellow subsidiaries, associates and joint ventures of the Group, and primary shareholders with significant influence over subsidiaries (continued)

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Transactions with joint ventures of the Group:		
Sales and services provided:		
Sales of coal	**2,845**	152,801
Sales of machinery and equipment	**12,325**	62,640
Coal Export and Sales	**–**	101
Income from providing labour services	**37**	2
Income from renting property, plant and equipment	**166**	–
Purchases of goods and services:		
Purchases of coal	**114,174**	53,508
Received construction and technology services	**1,526**	–
Purchases of services	**469**	261
Financial services:		
Loan provided	**102,000**	400,000
Loans repayment received	**1,052,000**	600,000
Interest income	**58,001**	96,752
Transactions with associates of the Group:		
Sales and services provided:		
Sales of machinery and equipment	**458,364**	227,550
Sales of materials and spare parts	**627**	25,843
Railway rental income	**139,941**	133,171
Income from providing labour services	**145,827**	110,487
Sales of coal	**1,545,622**	1,135,225
Sales of providing production materials and auxiliary services	**98,337**	–
Income from providing labour services	**95**	–
Sales of public power and facilities income	**89,222**	–
Purchases of goods and services:		
Purchases of coal	**1,719,532**	208,334
Purchases of materials and spare parts	**348,469**	33,043
Transportation services purchased	**682,934**	399,499
Purchases of machinery and equipment	**14,410**	–
Receiving social services, railway custody service, construction and technical services	**2,871**	502
Financial services:		
Loan provided	**–**	1,550,000
Loan repayment received	**–**	3,100,000
Interest income	**–**	23,380
Agency fee income	**–**	173

45. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions and balances with the PRC government-related entities (continued)

(a) Transactions with the Parent Company, fellow subsidiaries, associates and joint ventures of the Group, and primary shareholders with significant influence over subsidiaries (continued)

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Transactions with a substantial shareholder of a significant subsidiary		
Sales and services provided (ix)		
Sales of coal	**435,744**	448,807
Sales of machinery and equipment	**3,711**	–
Purchases of goods and services (ix)		
Purchases of coal	**–**	12,529
Infrastructural Project and Procurement of Coal Mining Facilities Services (ix)		
Charges for infrastructural project and procurement of coal mining facilities services	**319**	4,095

Note:

(ix) The Company and Shanxi Coking Coal Group Co., Ltd. ("Shanxi Coking Coal Group") entered into the Coal and Coal Related Products and Services Supply Agreement on 23 October 2014, under which the Group purchases the coal and coal related products and accepts services from Shanxi Coking Coal Group and its subsidiaries and Shanxi Coking Coal Group and its subsidiaries purchases the coal and coal related products and accepts services from the Group. The agreement had been renewed to extend the term to 31 December 2020.

Pursuant to the Coal and Coal Related Products and Services Supply Agreement, the prices will be based on the following pricing policy and order:

- as for the infrastructural project and procurement of coal mining facilities, the price shall be arrived by bidding process; and
- as for the supply of coal, the price shall be in accordance with the relevant market price.

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Transactions with a primary shareholder with significant influence over a subsidiary		
Sales and services provided		
Sales of coal	**163,811**	–

45. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions and balances with the PRC government-related entities (continued)

(a) Transactions with the Parent Company, fellow subsidiaries, associates and joint ventures of the Group, and primary shareholders with significant influence over subsidiaries (continued)

Commitments to the parent company and fellow subsidiaries

	2017	2016
	RMB'000	*RMB'000*
With the parent company and fellow subsidiaries		
– Purchases of goods	**–**	4,365
– Purchases of services	**882,638**	560,246
– Leasing payments	**698,264**	885,980
Total	**1,580,902**	1,450,591

Loan guarantees to associates and joint ventures of the Group

	2017	2016
	RMB'000	*RMB'000*
Loan guarantees to		
– Associates	**15,884,941**	15,405,158
– A joint venture	**105,000**	150,000
Total	**15,989,941**	15,555,158

45. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions and balances with the PRC government-related entities (continued)

(b) Transactions with other government related entities in the PRC

Apart from transactions with China Coal Group, fellow subsidiaries, associates and joint ventures, and primary shareholders with significant influence over subsidiaries, the Group has extensive transactions with other government-related entities.

During the years ended 31 December 2016 and 2017, majority of the following Group's activities are conducted with other government-related entities:

- Sales of coal;
- Sales of machinery and equipment;
- Purchases of coal;
- Purchases of materials and spare parts;
- Purchases of transportation services; and
- Cash and bank balances and borrowings.

In addition to the above mentioned, transactions with other government-related entities also include but not limited to the following:

- Lease of assets;
- Retirement benefit plans.

These transactions are conducted in accordance with the contracts the Group entered into based on market prices.

45. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions and balances with the PRC government-related entities (continued)

(b) Transactions with other government related entities in the PRC (continued)

Key management compensation

Key management includes directors (executive and non-executive), supervisors and other key management personnel.

The compensation paid or payable to key management for employee services is shown below:

	2017	2016
	RMB'000	*RMB'000*
Salary, allowances and other benefits		
– Directors and supervisors	**1,589**	2,059
– Other key management	**2,803**	2,686
	4,392	4,745
Pension costs-defined contribution plans		
– Directors and supervisors	**99**	130
– Other key management	**324**	290
	423	420
	4,815	5,165

46. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	As at 31 December 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
ASSETS		
Non-current assets		
Property, plant and equipment	**94,756**	647,986
Intangible assets	**74,475**	78,938
Investments in subsidiaries	**77,760,592**	78,775,736
Investments in associates	**11,978,600**	10,233,372
Investments in joint ventures	**213,433**	213,433
Available-for-sale assets	**2,566,772**	4,473,072
Deferred income tax assets	**1,799,654**	1,340,087
Loans to subsidiaries	**18,662,581**	16,120,891
Other non-current assets	**1,130,292**	1,129,684
	114,281,155	113,013,199
Current assets		
Inventories	**388,264**	900,795
Trade and notes receivables	**1,355,596**	4,137,572
Prepayments and other receivables	**12,411,073**	13,645,400
Term deposits with initial terms of over three months	**2,016,524**	1,485,534
Cash and cash equivalents	**6,182,116**	4,723,092
	22,353,573	24,892,393
TOTAL ASSETS	**136,634,728**	137,905,592
EQUITY		
Share capital	**13,258,663**	13,258,663
Reserves	**42,765,694**	42,698,412
Retained earnings	**18,089,452**	18,271,562
Total equity	**74,113,809**	74,228,637

46. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Statement of financial position of the Company (continued)

	As at 31 December 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
LIABILITIES		
Non-current liabilities		
Long-term borrowings	**18,644,000**	14,420,000
Long-term bonds	**25,872,239**	24,909,333
	44,516,239	39,329,333
Current liabilities		
Trade and notes payables	**2,495,114**	3,723,696
Accruals, advances and other payables	**6,514,447**	9,384,772
Taxes payable	**29,119**	49,154
Short-term borrowings	**1,600,000**	1,820,000
Current portion of long-term borrowings	**4,366,000**	6,370,000
Short-term bonds	**3,000,000**	3,000,000
	18,004,680	24,347,622
Total liabilities	**62,520,919**	63,676,955
TOTAL EQUITY AND LIABILITIES	**136,634,728**	137,905,592

46. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Reserve movement of the Company

	Capital reserve *RMB'000*	Statutory reserve funds *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
Balance at 1 January 2016	38,719,100	3,943,257	4,129	18,133,206	60,799,692
Profit and total comprehensive income for the year	–	–	–	176,142	176,142
Appropriations	–	37,786	–	(37,786)	–
Others	(5,860)	–	–	–	(5,860)
Balance at 31 December 2016	38,713,240	3,981,043	4,129	18,271,562	60,969,974
Profit and total comprehensive income for the year	**–**	**–**	**–**	**402,023**	**402,023**
Appropriations	**–**	**67,282**	**–**	**(67,282)**	**–**
Dividends	**–**	**–**	**–**	**(516,851)**	**(516,851)**
Balance at 31 December 2017	**38,713,240**	**4,048,325**	**4,129**	**18,089,452**	**60,855,146**

Financial Summary for Recent Five Years

Unit: RMB'000

	2013 Annual Report	2014 Annual Report (Restated)	2015 Annual Report	2016 Annual Report (Restated)	**2017 Annual Report**
Revenue and Profit					
Revenue	82,316,482	70,663,840	59,270,865	60,664,109	**81,123,232**
Profit/(Loss)before income tax	6,401,221	679,280	-3,575,678	3,002,878	**7,326,252**
Income tax expense/(gain)	1,781,107	191,768	-748,178	299,265	**1,653,744**
Profit/(Loss) for the year	4,620,114	487,512	-2,827,500	2,703,613	**5,672,508**
Attributed to:					
Equity holders of the Company	3,805,128	141,097	-3,266,791	1,716,167	**3,489,890**
Non-controlling interests	814,986	346,415	439,291	987,446	**2,182,618**
Dividends	2,784,319	319,787	–	514,532	**724,328**
Basic earning/(loss) per share attributable to the equity holders of the Company (RMB/Share)	0.29	0.01	-0.25	0.13	**0.26**
Assets and Liabilities					
Non-current assets	168,792,285	188,231,241	196,007,415	198,123,144	**200,045,542**
Current assets	47,727,822	55,780,939	62,018,579	44,572,628	**48,870,972**
Current liabilities	43,497,865	48,928,809	67,646,751	61,426,565	**62,931,235**
Net current assets/(liabilities)	4,229,957	6,852,130	-5,628,172	-16,853,937	**-14,060,263**
Total assets less current liabilities	173,022,242	195,083,371	190,379,243	181,269,207	**185,985,279**
Non-current liabilities	69,929,102	92,154,223	90,096,820	79,128,099	**79,882,760**
Net assets	103,093,140	102,929,148	100,282,423	102,141,108	**106,102,519**
Equity attributable to the equity holders of the Company	87,811,024	86,903,743	83,707,569	86,074,280	**89,011,285**
Non-controlling interests	15,282,116	16,025,405	16,574,854	16,066,828	**17,091,234**

Company Profile

Statutory Chinese Name of the Company	中國中煤能源股份有限公司
Abbreviated Statutory Chinese Name of the Company	中煤能源股份
Statutory English Name of the Company	China Coal Energy Company Limited
Abbreviated Statutory English Name of the Company	China Coal Energy
Legal Representative of the Company	Li Yanjiang

INFORMATION ABOUT SECRETARY TO THE BOARD OF THE COMPANY

Name of Secretary to the Board	Zhou Dongzhou
Contact Address of Secretary to the Board	Securities Affairs Department China Coal Energy Company Limited No. 1 Huangsidajie, Chaoyang District, Beijing, China
Contact Telephone Number of Secretary to the Board	(8610)-82236028
Fax Number of Secretary to the Board	(8610)-82256479
E-mail Address of Secretary to the Board	IRD@chinacoal.com

BASIC INFORMATION ABOUT THE COMPANY

Registered Address and Office Address of the Company	No. 1 Huangsidajie, Chaoyang District, Beijing, the PRC
Post Code	100120
Internet Website	http://www.chinacoalenergy.com
Email Address	IRD@chinacoal.com
Newspapers Designated for Information Disclosure	Shanghai Securities News, Securities Times
Internet Website Designated by CSRC for Publication of Annual Reports	http://www.sse.com.cn
Internet Website Designated by The Stock Exchange of Hong Kong Limited	http://www.hkex.com.hk
Location for Inspection of Annual Reports of the Company	Securities Affairs Department China Coal Energy Company Limited No. 1 Huangsidajie, Chaoyang District, Beijing, China

BRIEF INFORMATION ABOUT SHARES OF THE COMPANY

Type of shares	Stock of Exchange	Short name of stock	Stock Code	Short name of stock before for listing of shares change
A Shares	Shanghai Stock Exchange	中煤能源	601898	
H Shares	The Stock Exchange of Hong Kong Limited	China Coal Energy	01898	

Authorised Representatives of the Company	Peng Yi, Zhou Dongzhou
Company Secretary	Zhou Dongzhou

Company Profile

OTHER RELEVANT INFORMATION

Date of first registration of the Company	22 August 2006
Location of first registration of the Company	No. 1 Huangsidajie, Chaoyang District, Beijing, the PRC
Date of change in registration of the Company	28 June 2010
Location of change in registration of the Company	No change
Unified Social Credit Code	91110000710934289T

ACCOUNTING FIRMS OF THE COMPANY

Domestic accounting firm of the Company	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Office address of the domestic accounting firm of the Company	30/F, Bund Center, 222 Yan An Road East, Huangpu District, Shanghai, China
International accounting firm of the Company	Deloitte Touche Tohmatsu
Office address of the international accounting firm of the Company	35/F, One Pacific Place, 88 Queensway, Hong Kong

SPONSOR PERFORMING CONTINUOUS SUPERVISION DUTIES DURING THE REPORTING PERIOD

Name	China International Capital Corporation Limited	China Galaxy Securities Co., Ltd.
Office address	28th Floor, China World Office 2, 1 Jianguomenwai Avenue Beijing, PRC	2nd – 6th Floor, Tower C, Corporate Square, 35 Financial Street, Xicheng District Beijing, PRC
Signing sponsor representatives	Yao Xudong, Shi Fang	Wangfei, Zhang Yue

The continuous supervision period will last until the proceeds raised from A Share issuance have been used up.

LEGAL ADVISORS OF THE COMPANY

Legal advisor as to PRC law	Beijing Jiayuan Law Firm
Contact address	R407 Ocean Plaza, 158 Fuxingmennei Avenue, Xicheng District, Beijing, China
Legal advisor as to Hong Kong law	DLA Piper Hong Kong
Contact address	17/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong

SHARE REGISTRARS FOR DOMESTIC AND OVERSEAS LISTED SHARES

A Share Registrar	China Securities Depository and Clearing Corporation Limited Shanghai Branch
Contact Address	36/F, China Insurance Building, 166 Lujiazui East Avenue, Pudong New District, Shanghai, China
H Share Registrar	Computershare Hong Kong Investors Services Limited
Contact Address	Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Definitions

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

Company/China Coal Energy/ the Group/the Company	China Coal Energy Company Limited, unless otherwise indicated, also includes all of its subsidiaries
Board of the Company/Board	the board of directors of China Coal Energy Company Limited
Director(s)	the director(s) of the Company, including all the executive directors, non-executive directors and independent non-executive directors
Supervisor(s)	the supervisor(s) of the Company
China Coal Group	China National Coal Group Corporation, the controlling shareholder of the Company
Shanghai Energy Company	Shanghai Datun Energy Resources Company Limited
Pingshuo Mining Area	the coal mining area in Shanxi Province, mainly comprising the Antaibao Open Pit Mine and Underground Mine, the Anjialing Open Pit Mine and Underground Mine, the Jingdong Mine and Pingshuo East Open Pit Mine
Yulin Olefin Project	the Methanol Acetic Acid Series Deep Processing and Comprehensive Utilisation Project of China Coal Shaanxi Yulin Energy & Chemical Company Limited
Tuke Fertiliser Project	Phase I of the Tuke Fertiliser Project in Ordos, Inner Mongolia
Nalinhe No. 2 Coal Mine Project	Nalin River No. 2 Coal Mine Project of Wushenqi Mengda Mining Company Limited
Muduchaideng Coal Mine Project	Muduchaideng Coal Mine Project of Ordos Yihua Mining Resources Company Limited
Dahaize Coal Mine Project	Dahaize Coal Mine Project in Yulin, Shaanxi
Xiaohuigou Coal Mine Project	Xiaohuigou Coal Mine Project of Shanxi China Coal Pingshuo Xiaohuigou Coal Industry Company Limited
Mengda Engineering Plastics Project	Mengda New Energy Engineering Plastics Project
Mengda Company	Inner Mongolia China Coal Mengda New Energy & Chemical Company Limited
Xinjiang Branch	China Coal Energy Company Limited, Xinjiang Branch
Coking Company	China Coal and Coke Holdings Limited
Jinzhong Energy Chemical	China Coal Jinzhong Energy Chemical Company Limited

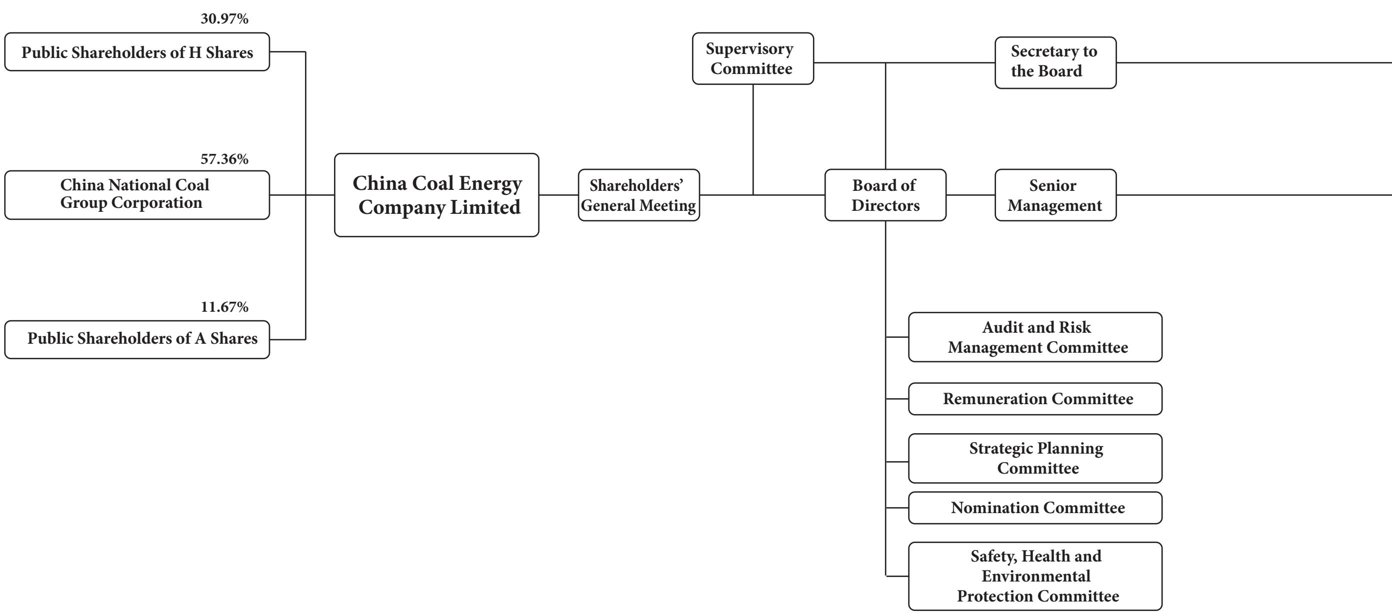
Definitions

Equipment Company	China National Coal Mining Equipment Company Limited
Jingshen Railway Company	Shaanxi Jingshen Railway Company Limited
Xi'an Coal Mining Machinery Company	Xi'an Coal Mining Machinery Company Limited
Pingshuo Inferior Coal Comprehensive Utilisation (Project)	Pingshuo Inferior Coal Comprehensive Utilisation Demonstration Project
Yilan No. 3 Coal Mine	the coal mine affiliated to China Coal Heilongjiang Coal Chemical Company Limited
Pingshuo Company/ Pingshuo Group	China Coal Pingshuo Group Company Limited
Pingshuo Industrial Company	Pingshuo Industrial Group Company Limited
Shanxi Coking Coal Group	Shanxi Coking Coal Group Co., Ltd.
China Coal Huajin Company	Shanxi China Coal Huajin Energy Company Limited
Resources Development Company	China Coal Resources Development Group Company Limited, formerly known as China Coal Import and Export Company
Huayu Company	China Coal Group Shanxi Huayu Energy Company Limited (formerly known as China Coal Group Shanxi Jinhaiyang Energy Company Limited)
Heilongjiang Coal Chemical Group	China Coal Heilongjiang Coal Chemical Engineering (Group) Company Limited
Finance Company	China Coal Finance Co., Ltd.
Zhongtian Synergetic Company	Zhongtian Synergetic Energy Company Limited
Shaanxi Company	China Coal Shaanxi Yulin Energy & Chemical Company Limited
Ordos Energy Chemical Company	China Coal Ordos Energy Chemical Company Limited
Yuanxing Company	Inner Mongolia China Coal Yuanxing Energy Chemical Company Limited
CSRC	China Securities Regulatory Commission
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council

Definitions

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

Organisation Chart of the Company



Organisation Chart of the Company

- Securities Affairs Department
- General office
- Department of Strategy Planning (International Collaboration & Development Department)
- Department of Human Resources
- Department of Operation Management
- Finance Department
- Production and Operation Command Centre
- Technology Management Centre
- Department of Coal Chemical Management (Coal Chemical Safety Supervision Bureau, Coal Chemical Research Institute)
- Department of Infrastructure Management
- Department of Electricity Management
- Department of Science & Technology and Environment Protection
- Department of Information Management
- Department of Safety and Health
- Department of Legal Affairs
- Audit Department
- Department of Corporate Culture
- Purchase Centre
- Coal Sales Centre
- Coal Chemical Products Sales Centre

Branches

- China Coal Energy Company Limited, Jinnan Sales Branch
- China Coal Energy Company Limited, Jinbei Sales Branch
- China Coal Energy Company Limited, Xinjiang Branch
- China Coal Energy Company Limited, Ordos Branch

Subsidiaries

- China Coal Pingshuo Group Company Limited 100%
- Shanghai Datun Energy Resources Company Limited 62.43%
- China National Coal Mining Equipment Company Limited 100%
- China Coal and Coke Holdings Limited 100%
- Shanxi China Coal Huajin Energy Company Limited 51%
- Ordos Yihua Mining Resources Company Limited 51%
- Wushenqi Mengda Mining Company Limited 66%
- China Coal Hami Coal Industry Company Limited 100%
- Shanxi Puxian China Coal Jinchang Mining Company Limited 51%
- Shanxi Puxian China Coal Yushuo Mining Company Limited 63%
- China Coal Xinjiang Coal Electricity Chemical Company Limited 60%
- China Coal Heilongjiang Coal Chemical Company Limited 100%
- Inner Mongolia China Coal Mengda New Energy & Chemical Company Limited 100%
- China Coal Finance Co., Ltd. 91%
- Inner Mongolia China Coal Yuanxing Energy Chemical Company Limited 75%
- China Coal Ordos Energy Chemical Company Limited 100%
- Guangzhou China Coal South China Trading Company Limited 100%
- China Coal Xing'an Energy Chemical Engineering Company Limited 100%
- China National Coal Development Company Limited 100%
- Sunfield Resources Pty. Limited 100%
- Ordos Yinhe Hongtai Coal Power Company Limited 78.84%
- Shanxi Zhongxin Tangshangou Coal Industry Company Limited 80%
- China Coal Sales and Transportation Company Limited 100%
- Datong China Coal Export Base Development Company Limited 60%
- China Coal Shaanxi Yulin Energy & Chemical Company Limited 100%
- China Coal Northwest Energy Company Limited 100%
- China Coal Chemicals (Tianjin) Company Limited 100%

Equity Investment Companies

- Zhongtian Synergetic Energy Company Limited 38.75%
- Taiyuan Coal Gasification Longquan Energy Development Company Limited 40%
- Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited 21.43%
- Datong Zhongxin Energy Company Limited 42%
- Zhejiang Zheneng China Coal Zhoushan Coal & Electricity Company Limited 27%
- Tianjin Port China Coal Huaneng Coal Terminal Company Limited 24.5%
- Huajin Coking Coal Company Limited 49%
- Guotou China Coal Tongmei Jingtang Port Company Limited 21%
- Mengji Railway Company Limited 5%
- Ordos Southern Railway Company Limited 10%
- Tangshan Caofeidian Coal Port Company Limited 5%
- Gansu China Coal Tianda Energy Company Limited 50%
- Hohhot-Zhungeer-Ordos Railway Company Limited 10%
- Mengxi-Huazhong Railway Company Limited 10%

中国中煤能源股份有限公司
CHINA COAL ENERGY COMPANY LIMITED

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Website : www.chinacoalenergy.com