中煤

CHINA COAL ENERGY COMPANY LIMITED*

中國中煤能源股份有限公司

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

(Stock Code: 01898)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS:

- In 2019, the Group's revenue amounted to RMB129.294 billion, representing an increase of RMB25.154 billion or 24.2% as compared with 2018.
- In 2019, the profit attributable to the equity holders of the Company amounted to RMB6.197 billion, representing an increase of RMB1.791 billion or 40.6% as compared with 2018.
- In 2019, the basic earnings per share of the Company was RMB0.47, representing an increase of RMB0.14 as compared with 2018.
- In 2019, EBITDA amounted to RMB24.857 billion, representing an increase of RMB5.483 billion or 28.3% as compared with 2018.
- The Board recommended the payment of final dividends of RMB0.127 per share (inclusive of tax) for the year 2019, which is subject to the approval by the Shareholders at the annual general meeting to be held in 2020.

The Board of China Coal Energy Company Limited is pleased to announce the audited annual results of the Group for the year ended 31 December 2019 prepared by the Group in accordance with the International Financial Reporting Standards ("IFRS"):

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**Year ended 31 December 2019** *RMB'000*	Year ended 31 December 2018 *RMB'000* (Restated)
Revenue	*6*	**129,293,733**	104,140,084
Cost of sales			
Materials used and goods traded		**(67,282,782)**	(53,878,707)
Staff costs		**(5,531,552)**	(4,541,755)
Depreciation and amortisation		**(9,208,215)**	(6,939,583)
Repairs and maintenance		**(1,861,732)**	(1,529,732)
Transportation costs and port expenses		**(12,435,442)**	(9,991,572)
Sales taxes and surcharges		**(3,485,631)**	(2,835,230)
Others		**(8,491,306)**	(6,167,158)
Cost of sales		**(108,296,660)**	(85,883,737)
Gross profit		**20,997,073**	18,256,347
Selling expenses		**(910,698)**	(679,078)
General and administrative expenses		**(4,619,442)**	(4,738,950)
Other income		**968**	4,810
Other gains and losses		**(310,696)**	(933,085)
Impairment losses under expected credit loss model, net of reversal		**18,033**	(136,397)
Profit from operations		**15,175,238**	11,773,647
Finance income	*7*	**153,678**	702,931
Finance costs	*7*	**(4,907,540)**	(4,359,931)
Share of profits of associates and joint ventures		**2,597,358**	1,808,651
Profit before income tax		**13,018,734**	9,925,298
Income tax expense	*8*	**(3,499,326)**	(2,534,776)
Profit for the year		**9,519,408**	7,390,522

	Year ended 31 December 2019 *RMB'000*	Year ended 31 December 2018 *RMB'000* (Restated)
Other comprehensive (expense) income:		
Item that will not be reclassified to profit or loss		
Share of other comprehensive income of associates, net of related income tax	**12,915**	–
Fair value changes on equity instruments at fair value through other comprehensive income, net of tax	**(74,174)**	(172,595)
Items that may be reclassified subsequently to profit or loss		
Fair value changes on debt instruments at fair value through other comprehensive income, net of tax	**16,048**	20,989
Impairment loss for debt instruments at fair value through other comprehensive income included in profit or loss	**11,472**	–
Exchange differences arising on translation of foreign operations	**6,182**	(18,138)
Other comprehensive expense for the year, net of tax	**(27,557)**	(169,744)
Total comprehensive income for the year	**9,491,851**	7,220,778

	Note	Year ended 31 December 2019 RMB'000	Year ended 31 December 2018 RMB'000 (Restated)
Profit for the year attributable to:			
Equity holders of the Company		**6,197,168**	4,406,148
Non-controlling interests		**3,322,240**	2,984,374
		9,519,408	7,390,522
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**6,160,840**	4,238,829
Non-controlling interests		**3,331,011**	2,981,949
		9,491,851	7,220,778
Basic and diluted earnings per share for the profit attributable to equity holders of the Company (RMB)	*10*	**0.47**	0.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	As at 31 December 2019 RMB'000	2018 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment		**129,997,871**	132,082,343
Right-of-use assets		**433,788**	–
Investment properties		**79,903**	83,458
Mining rights		**38,880,087**	35,552,718
Intangible assets		**1,627,726**	1,689,402
Land use rights		**6,154,374**	5,320,455
Goodwill		**6,084**	6,084
Investments in associates		**20,886,640**	16,860,313
Investments in joint ventures		**3,289,977**	2,966,392
Equity instruments at fair value through other comprehensive income		**2,328,755**	4,563,851
Deferred income tax assets		**2,775,209**	2,838,271
Long-term receivables		**250,012**	560,950
Other non-current assets		**10,732,928**	6,772,189
		217,443,354	209,296,426
Current assets			
Inventories		**8,170,288**	8,279,763
Trade receivables	*11*	**7,316,222**	4,881,389
Debt instruments at fair value through other comprehensive income	*11*	**6,897,430**	9,989,407
Contract assets		**953,581**	1,014,869
Prepayments and other receivables		**6,084,181**	6,931,799
Restricted bank deposits		**3,376,327**	3,351,932
Term deposits with initial terms of over three months		**10,090,101**	12,155,112
Cash and cash equivalents		**12,137,419**	8,372,119
		55,025,549	54,976,390
TOTAL ASSETS		**272,468,903**	264,272,816

	Notes	As at 31 December 2019 *RMB'000*	 2018 *RMB'000* (Restated)
Current liabilities			
Trade and notes payables	*12*	**23,249,507**	22,931,854
Contract liabilities		**2,588,765**	2,478,903
Accruals, advances and other payables		**18,764,686**	18,117,698
Taxes payable		**1,000,575**	1,173,679
Lease liabilities		**67,329**	–
Short-term borrowings		**4,266,347**	6,307,547
Current portion of long-term borrowings		**22,673,139**	11,845,531
Current portion of long-term bonds		**10,991,992**	5,979,779
Current portion of provision for close down, restoration and environmental costs		**69,762**	13,310
		83,672,102	68,848,301
Non-current liabilities			
Long-term borrowings		**34,374,705**	45,317,056
Long-term bonds		**21,934,045**	27,911,367
Deferred income tax liabilities		**5,866,547**	5,929,183
Lease liabilities		**436,194**	–
Provision		**35,457**	45,713
Provision for employee benefits		**101,142**	120,480
Provision for close down, restoration and environmental costs		**3,247,028**	1,450,265
Deferred revenue		**1,578,842**	1,666,924
Other long-term liabilities		**4,001,921**	2,483,541
		71,575,881	84,924,529
Total liabilities		**155,247,983**	153,772,830
Equity			
Share capital		**13,258,663**	13,258,663
Reserves	*13*	**47,082,724**	46,304,712
Retained earnings	*13*	**36,677,706**	32,387,797
Equity attributable to equity holders of the Company		**97,019,093**	91,951,172
Non-controlling interests		**20,201,827**	18,548,814
Total equity		**117,220,920**	110,499,986
TOTAL EQUITY AND LIABILITIES		**272,468,903**	264,272,816

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") in preparing for the listing of the Company's shares on The Main Board of The Stock Exchange of Hong Kong Limited. 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.

The 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 2019, the Group's current liabilities exceeded its current assets by approximately RMB28,647 million. When the Group needs money to repay the short-term debts or make investment, the Group can finance the fund by the following ways:

- On 16 March 2020, the Company obtained approval from the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) to issue medium-term note up to a maximum outstanding amount of RMB5,000,000,000;

- On 10 March 2020, the Company obtained the approval from China Securities Regulatory Commission to issue corporate bonds up to a maximum amount of RMB10,000,000,000 to professional investors. On 18 March 2020, the Company has issued the first tranche of corporate bonds with a principal amount of RMB3,000,000,000, bearing interest at the coupon rate of 3.60% per annum paid annually with a term of 5 years;

- Unutilised bank facilities are available for draw-down when necessary; and

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

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

3. RESTATEMENTS ARISING FROM BUSINESS COMBINATIONS UNDER COMMON CONTROL

3.1 2018 Acquisitions

The Group completed the acquisition from China Coal Group the 100% equity interest in SDIC Jincheng Energy Investment Co., Ltd. ("Jincheng Energy"), which was previously acquired by China Coal Group on 1 January 2017, for a cash consideration of RMB1,712,545,000 on 25 June 2018.

The Group completed the acquisition from China Coal Group the 100% equity interest in China Coal Electrical Ltd. for a cash consideration of RMB257,465,000 on 21 August 2018, the 100% equity interest in China Coal Equipment Engineering Consulting Co., Ltd. for a cash consideration of RMB8,620,000 on 27 August 2018, the 100% equity interest in Shanxi China Coal Resources Comprehensive Utilisation Co., Ltd. for a cash consideration of RMB34,887,000 on 30 August 2018, and the 100% equity interest in China Coal Information Technology (Beijing) Co., Ltd. for a cash consideration of RMB35,000,000 on 31 August 2018. The acquisitions were collectively referred to as the "2018 Acquisitions". Pursuant to the agreement entered into between the Group and China Coal Group for the acquisition of Jincheng Energy, the Group expected to receive the refunds from China Coal Group amounting to RMB663,931,000 due to the adjustment on the charges on transfers of mining rights and the adjusted consideration is RMB1,048,614,000.

3.2 2019 Acquisition

On 19 March 2019, the Group acquired the 100% equity interest in Shanxi China Coal Pingshuo Dongrisheng Coal Mining Co., Ltd. ("Dongrisheng Company") which was previously acquired by China Coal Group on 1 January 2018 for a cash consideration of RMB24,318,000. The acquisition was referred to as the "2019 Acquisition".

As the Group and Dongrisheng Company were under common control of China Coal Group before and after the 2019 Acquisition, the acquisition is considered as a business combination under common control. The principle of merger accounting for business combination involving businesses under common control has therefore been applied. As a result, the consolidated financial statements of the Group have been prepared as if Dongrisheng Company was a subsidiary of the Company ever since it became under common control of China Coal Group.

Accordingly, the consolidated statement of financial position as at 31 December 2018 have been restated to include the assets and liabilities of Dongrisheng Company at carrying amounts in the books of China Coal Group. The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group have been prepared as if Dongrisheng Company was a subsidiary of the Group since 1 January 2018, the date which Dongrisheng Company first came under common control of China Coal Group.

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

As a result of the 2019 Acquisition, the relevant line items in the consolidated statement of financial position as at 31 December 2018 have been restated. The following table shows the effect for each individual line item affected:

	The Group (as previously reported) *RMB'000*	Effect of the 2019 Acquisition *RMB'000*	Eliminations *RMB'000*	The Group (restated) *RMB'000*
Consolidated statement of financial position at 31 December 2018:				
Non-current assets				
Property, plant and equipment	131,907,922	174,421	–	132,082,343
Current assets				
Inventories	8,252,752	27,011	–	8,279,763
Trade receivables	4,881,389	366,767	(366,767)	4,881,389
Prepayments and other receivables	7,445,110	18	(513,329)	6,931,799
Cash and cash equivalents	8,353,662	18,457	–	8,372,119
Current liabilities				
Trade and notes payables	23,252,942	45,679	(366,767)	22,931,854
Accruals, advances and other payables	18,072,853	459,174	(414,329)	18,117,698
Taxes payable	1,156,547	17,132	–	1,173,679
Current portion of long-term borrowings	11,845,531	99,000	(99,000)	11,845,531
Equity				
Share capital	13,258,663	1,000	(1,000)	13,258,663
Reserves	46,303,712	–	1,000	46,304,712
Retained earnings	32,423,108	(35,311)	–	32,387,797

As a result of the 2019 Acquisition, the relevant line items in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended 31 December 2018, have been restated. The following table shows the effect for each individual line item affected:

	The Group (as previously reported) *RMB'000*	Effect of the 2019 Acquisition *RMB'000*	Elimination *RMB'000*	The Group (restated) *RMB'000*
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018:				
Revenue	104,140,066	18	–	104,140,084
Cost of sales	(85,883,001)	(736)	–	(85,883,737)
General and administrative expenses	(4,679,783)	(59,167)	–	(4,738,950)
Other gains and losses	(915,043)	(18,042)	–	(933,085)
Finance income	702,878	53	–	702,931
Finance costs	(4,355,616)	(4,315)	–	(4,359,931)
Consolidated statement of cash flows for the year ended 31 December 2018:				
Net cash generated from (used in):				
Operating activities	20,414,373	11,210	–	20,425,583
Investing activities	(14,611,086)	(6,409)	–	(14,617,495)
Financing activities	(7,614,282)	13,656	–	(7,600,626)

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

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board for the first time in the current year:

IFRS 16	*Leases*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to IFRSs	*Annual Improvements to IFRS Standards 2015-2017 Cycle*

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

4.1 IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if IFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying IFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.90%.

	At 1 January 2019 *RMB'000*
Operating lease commitments disclosed as at 31 December 2018	723,130
Lease liabilities discounted at relevant incremental borrowing rates	538,688
Lease liabilities relating to operating leases recognised upon application of IFRS 16	538,688
Lease liabilities as at 1 January 2019	538,688
Analysed as	
Current	60,485
Non-current	478,203
	538,688

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets
	RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	473,465
By class:	
Land and buildings	473,465

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

Before application of IFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. There is no material impact on the consolidated financial statements of the Group for the current year.

The following table summarises the impact of transition to IFRS 16 on retained earnings at 1 January 2019.

	Impact of adopting IFRS 16 At 1 January 2019
	RMB'000
Retained Earnings	
Recognition of right-of-use assets relating to operating leases	473,465
Recognition of lease liabilities relating to operating leases	(538,688)
Tax effects	16,306
Non-controlling interests	18,378
Impact at 1 January 2019	(30,539)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts after restatement at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*
	(Note 3.2)		
Non-current Assets			
Right-of-use assets	–	473,465	473,465
Deferred income tax assets	2,838,271	16,306	2,854,577
Equity			
Retained earnings	32,387,797	(30,539)	32,357,258
Non-controlling interests	18,548,814	(18,378)	18,530,436
Current Liabilities			
Lease liabilities	–	60,485	60,485
Non-current Liabilities			
Lease liabilities	–	478,203	478,203

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 3	*Definition of a Business*[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 1	*Classification of Liabilities as Current or Non-current*[5]
Amendments to IAS 1 and IAS 8	*Definition of Material*[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[4]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
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 2020
5 Effective for annual periods beginning on or after 1 January 2022

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of these new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

5. SEGMENT INFORMATION

5.1 General information

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

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

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 products, mining machinery and finance.

- Coal – production and sales of coal;
- Coal-chemical products – 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 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.

5.2 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.

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

	Coal *RMB'000*	Coal-chemical products *RMB'000*	Mining machinery *RMB'000*	Finance *RMB'000*	Others *RMB'000*	Total segment *RMB'000*	Unallocated *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
	For the year ended and as at 31 December 2019								
Segment results									
Revenue									
Total revenue	104,507,674	17,772,016	8,269,501	1,182,305	5,440,614	137,172,110	–	(7,878,377)	129,293,733
Inter-segment revenue	(4,888,733)	(260,308)	(1,248,478)	(406,202)	(1,074,656)	(7,878,377)	–	7,878,377	–
Revenue from external customers	99,618,941	17,511,708	7,021,023	776,103	4,365,958	129,293,733	–	–	129,293,733
Profit/(loss) from operations	13,133,823	2,484,194	303,687	763,115	(906,987)	15,777,832	(424,409)	(178,185)	15,175,238
Profit/(loss) before income tax	12,342,933	2,669,489	244,386	763,115	(1,089,146)	14,930,777	(1,893,803)	(18,240)	13,018,734
Interest income	373,743	50,926	15,832	–	16,927	457,428	1,421,888	(1,725,638)	153,678
Interest expense	(2,023,402)	(1,235,573)	(90,258)	–	(199,086)	(3,548,319)	(3,244,804)	1,911,002	(4,882,121)
Depreciation and amortisation	(5,989,253)	(2,586,047)	(439,968)	(1,030)	(647,868)	(9,664,166)	(18,078)	–	(9,682,244)
Share of profit/(loss) of associates and joint ventures	858,769	1,369,942	15,125	–	–	2,243,836	353,522	–	2,597,358
Income tax (expense)/credit	(3,080,829)	(217,385)	(27,341)	(190,673)	167,676	(3,348,552)	(153,072)	2,298	(3,499,326)
Other material non-cash items									
Provision for impairment of property, plant and equipment	(592,415)	–	–	–	–	(592,415)	–	–	(592,415)
(Provision for)/reversal of impairment of other assets	(67,618)	38,773	(9,426)	(39,070)	(388)	(77,729)	–	–	(77,729)
Segment assets and liabilities									
Total assets	158,821,352	58,857,474	16,471,627	22,301,344	11,501,957	267,953,754	21,198,514	(16,683,365)	272,468,903
Including: investment in associates and joint ventures	7,581,633	11,734,418	901,124	–	105,000	20,322,175	3,854,442	–	24,176,617
Addition to non-current assets	14,866,469	1,444,379	332,276	2,495	1,003,683	17,649,302	18,407	–	17,667,709
Total liabilities	69,538,778	29,407,744	6,865,944	19,835,299	8,326,115	133,973,880	35,844,113	(14,570,010)	155,247,983

	For the year ended and as at 31 December 2018 (Restated)								
	Coal *RMB'000*	Coal-chemical products *RMB'000*	Mining machinery *RMB'000*	Finance *RMB'000*	Others *RMB'000*	Total segment *RMB'000*	Unallocated *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Segment results									
Revenue									
Total revenue	80,911,723	18,006,213	7,051,536	–	3,850,572	109,820,044	–	(5,679,960)	104,140,084
Inter-segment revenue	(3,817,457)	(140,112)	(866,623)	–	(855,768)	(5,679,960)	–	5,679,960	–
Revenue from external customers	77,094,266	17,866,101	6,184,913	–	2,994,804	104,140,084	–	–	104,140,084
Profit/(loss) from operations	10,825,899	2,024,326	211,691	(23,244)	(900,878)	12,137,794	(379,911)	15,764	11,773,647
Profit/(loss) before income tax	9,967,272	1,937,179	105,247	710,847	(967,005)	11,753,540	(1,844,007)	15,765	9,925,298
Interest income	53,841	30,663	4,651	935,540	7,087	1,031,782	1,506,247	(1,835,098)	702,931
Interest expense	(1,406,662)	(1,340,035)	(109,463)	(199,626)	(71,988)	(3,127,774)	(3,067,014)	1,831,154	(4,363,634)
Depreciation and amortisation	(4,391,943)	(2,352,824)	(367,250)	(1,252)	(470,503)	(7,583,772)	(16,279)	–	(7,600,051)
Share of profit/(loss) of associates and joint ventures	476,105	1,221,942	(4,858)	–	–	1,693,189	115,462	–	1,808,651
Income tax (expense)/credit	(2,189,483)	(299,559)	(10,728)	(164,789)	136,990	(2,527,569)	(94)	(7,113)	(2,534,776)
Other material non-cash items									
Provision for impairment of property, plant and equipment	(479,576)	(377,924)	(8,956)	–	–	(866,456)	–	–	(866,456)
(Provision for)/reversal of impairment of other assets	(313,376)	(50,464)	11,530	(61,391)	(10,244)	(423,945)	–	44,691	(379,254)
Segment assets and liabilities									
Total assets	145,596,933	60,726,406	17,220,229	15,632,596	14,618,717	253,794,881	25,512,160	(15,034,225)	264,272,816
Including: investment in associates and joint ventures	4,343,437	10,893,841	902,483	–	(5,267)	16,134,494	3,692,211	–	19,826,705
Addition to non-current assets	11,261,351	859,377	769,342	4	1,095,116	13,985,190	32,702	–	14,017,892
Total liabilities	48,609,525	22,534,456	7,357,100	9,125,889	6,342,280	93,969,250	70,569,580	(10,766,000)	153,772,830

5.3 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	
	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Domestic markets	**127,967,031**	103,677,940
Overseas markets	**1,326,702**	462,144
	129,293,733	104,140,084

Analysis of non-current assets

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Domestic markets	**207,325,817**	201,170,188
Overseas markets	**771**	364
	207,326,588	201,170,552

Note: The non-current assets above exclude equity instruments at fair value through other comprehensive income ("FVTOCI"), deferred income tax assets, entrusted loans, loans to fellow subsidiaries and other receivables (other than finance lease receivables).

No revenue from transactions with a single external customer amounts to 10% or more of the Group's revenue for both 2019 and 2018.

6. REVENUE

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Goods and services	**128,290,091**	103,918,482
Rental income	**227,539**	221,602
Interest income	**776,103**	–
	129,293,733	104,140,084

Disaggregation of revenue from contracts with customers:

	For the year ended 31 December 2019				
	Coal *RMB'000*	**Coal-chemical products** *RMB'000*	**Mining machinery** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Sales of goods					
Sales of coal	99,270,409	–	–	–	99,270,409
Sales of coal-chemical products	–	17,222,194	–	–	17,222,194
Sales of mining machinery	–	–	6,584,919	–	6,584,919
Sales of electric power	–	–	–	2,506,142	2,506,142
Sales of aluminum products	–	–	–	992,029	992,029
Others	34,046	252,109	263,626	366,803	916,584
	99,304,455	17,474,303	6,848,545	3,864,974	127,492,277
Revenue from services					
Agent service	7,427	–	17,816	264,689	289,932
Railway service	–	–	–	148,299	148,299
Others	125,198	32,011	122,064	80,310	359,583
	132,625	32,011	139,880	493,298	797,814
Geographical markets					
Domestic markets	98,883,172	16,790,870	6,949,813	4,339,534	126,963,389
Overseas markets	553,908	715,444	38,612	18,738	1,326,702
	99,437,080	17,506,314	6,988,425	4,358,272	128,290,091

	For the year ended 31 December 2018 (Restated)				
	Coal *RMB'000*	Coal-chemical products *RMB'000*	Mining machinery *RMB'000*	Others *RMB'000*	Total *RMB'000*
Sales of goods					
Sales of coal	76,695,850	–	–	–	76,695,850
Sales of coal-chemical products	–	17,668,177	–	–	17,668,177
Sales of mining machinery	–	–	5,269,179	–	5,269,179
Sales of electric power	–	–	–	1,352,570	1,352,570
Sales of aluminum products	–	–	–	708,410	708,410
Others	64,039	167,355	760,150	159,996	1,151,540
	76,759,889	17,835,532	6,029,329	2,220,976	102,845,726
Revenue from services					
Agent service	38,677	–	14,003	501,173	553,853
Railway service	–	–	–	159,524	159,524
Others	116,895	30,545	109,846	102,093	359,379
	155,572	30,545	123,849	762,790	1,072,756
Geographical markets					
Domestic markets	76,521,446	17,866,077	6,105,756	2,963,059	103,456,338
Overseas markets	394,015	–	47,422	20,707	462,144
	76,915,461	17,866,077	6,153,178	2,983,766	103,918,482

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

	For the year ended 31 December 2019			
	Segment revenue *RMB'000*	**Eliminations** *RMB'000*	**Less: rental and interest income** *RMB'000*	**Consolidated** *RMB'000*
Coal	**104,507,674**	**(4,888,733)**	**(181,861)**	**99,437,080**
Coal-chemical products	**17,772,016**	**(260,308)**	**(5,394)**	**17,506,314**
Mining machinery	**8,269,501**	**(1,248,478)**	**(32,598)**	**6,988,425**
Finance	**1,182,305**	**(406,202)**	**(776,103)**	**–**
Others	**5,440,614**	**(1,074,656)**	**(7,686)**	**4,358,272**
Total revenue	**137,172,110**	**(7,878,377)**	**(1,003,642)**	**128,290,091**

	For the year ended 31 December 2018 (Restated)			
	Segment revenue *RMB'000*	Eliminations *RMB'000*	Less: rental income *RMB'000*	Consolidated *RMB'000*
Coal	80,911,723	(3,817,457)	(178,805)	76,915,461
Coal-chemical products	18,006,213	(140,112)	(24)	17,866,077
Mining machinery	7,051,536	(866,623)	(31,735)	6,153,178
Others	3,850,572	(855,768)	(11,038)	2,983,766
Total revenue	109,820,044	(5,679,960)	(221,602)	103,918,482

7. FINANCE INCOME AND COSTS

	2019 RMB'000	2018 RMB'000 (Restated)
Finance income:		
– Interest income on bank deposits	**82,700**	545,044
– Interest income on loans receivables	**70,978**	157,887
Total finance income	**153,678**	702,931
Interest expenses:		
– Bank borrowings	**3,357,089**	3,675,857
– Long-term and short-term bonds	**1,817,248**	1,638,978
– Unwinding of discount	**135,872**	78,227
– Lease liabilities	**26,912**	–
Other incidental bank charges	**14,831**	10,442
Net foreign exchange losses/(gains)	**10,588**	(14,145)
Finance costs	**5,362,540**	5,389,359
Less: amounts capitalised on qualifying assets	**(455,000)**	(1,029,428)
Total finance expenses	**4,907,540**	4,359,931
Finance costs, net	**4,753,862**	3,657,000

Note:

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

	2019	2018
Capitalisation rate used to determine the amount of finance costs eligible for capitalisation	**3.43%-5.65%**	3.28%-5.65%

8. INCOME TAX EXPENSE

	2019 RMB'000	2018 RMB'000
Current income tax		
– PRC enterprise income tax *(note (a))*	**3,489,348**	2,677,725
Deferred income tax	**9,978**	(142,949)
	3,499,326	2,534,776

Notes:

(a) The provision for the PRC enterprise income tax is calculated based on the statutory income tax rate of 25%. The applicable income tax rate in 2019 and 2018 is 25% on the assessable income of each of the companies now comprising the Group, determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries which are taxed at preferential tax rate of 15% based on the relevant PRC tax laws and regulations.

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

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Profit before income tax	**13,018,734**	9,925,298
Tax calculated at statutory income tax rate of 25% (2018: 25%) in the PRC	**3,254,684**	2,481,325
Effect of preferential tax rates on income of certain subsidiaries	**(248,788)**	(283,122)
Adjust income tax of the previous period	**35,979**	24,519
Income not subject to taxation	**(649,939)**	(403,945)
Expenses not deductible for taxation purposes	**14,963**	4,209
Utilisation of previously unrecognised tax losses	**(16,546)**	(6,313)
Tax losses for which no deferred income tax asset has been recognised	**669,964**	649,611
Deductible temporary differences for which no deferred income tax asset has been recognised	**184,869**	144,715
Recognition of previously unrecognised deductible temporary differences	**(48,178)**	(30,822)
Additional expenses allowable for tax deduction	**(46,641)**	(45,401)
Others	**348,959**	–
Income tax expense	**3,499,326**	2,534,776

The effective tax rate was 27% for the year ended 31 December 2019 (2018 (restated): 26%).

9. DIVIDENDS

During the year ended 31 December 2019, dividends for ordinary shareholders of the Company recognised as distribution is RMB1,034,176,000 (2018: RMB729,375,000).

A total dividend of approximately RMB1,687,931,000 for the year ended 31 December 2019 has been proposed by the directors of the Company and is subject to approval by the shareholders at the 2019 annual general meeting. The consolidated financial statements do not reflect this dividend payable.

	2019	2018
	RMB'000	*RMB'000*
Proposed final dividend	**1,687,931**	1,030,373

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the number of 13,258,663,400 ordinary shares in issue during the year.

	2019	2018 (Restated)
Profit attributable to equity holders of the Company (RMB'000)	**6,197,168**	4,406,148
Number of ordinary shares in issue (in thousands)	**13,258,663**	13,258,663
Basic earnings per share (RMB per share)	**0.47**	0.33

As the Company had no potential ordinary shares in issue for the years ended 31 December 2019 and 2018, diluted earnings per share equals to basic earnings per share.

11. TRADE RECEIVABLES/DEBT INSTRUMENTS AT FVTOCI

	31 December 2019 ***RMB'000***	31 December 2018 *RMB'000*
Trade receivables	**7,316,222**	4,881,389
Debt instruments at FVTOCI	**6,897,430**	9,989,407

(a) Trade receivables are analysed as follows:

	31 December 2019 ***RMB'000***	31 December 2018 *RMB'000*
Trade receivables		
– Associates	**278,405**	523,063
– Joint ventures	**12,772**	15,005
– Fellow subsidiaries	**553,709**	427,914
– Third parties	**6,471,336**	3,915,407
Trade receivables, net	**7,316,222**	4,881,389

Aging analysis of trade receivables presented based on invoice date is as follows:

	31 December 2019 *RMB'000*	31 December 018 *RMB'000*
Within 6 months	**5,168,792**	3,286,553
6 months – 1 year	**1,206,096**	614,024
1 – 2 years	**645,842**	431,317
2 – 3 years	**193,327**	364,146
Over 3 years	**623,301**	754,721
Trade receivables, gross	**7,837,358**	5,450,761
Less: Allowance for credit losses	**(521,136)**	(569,372)
Trade receivables, net	**7,316,222**	4,881,389

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, domestically and internationally dispersed.

The Group does not hold any collateral as security.

Trade receivables from related parties are unsecured, interest free and repayable within one year in accordance with the relevant contracts entered into between the Group and the related parties.

(b) The carrying amounts of trade receivables are denominated in the following currencies:

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
RMB	**7,311,826**	4,881,013
US Dollar ("USD")	**4,396**	376
	7,316,222	4,881,389

(c) The carrying amounts of trade receivables approximate their fair values.

(d) Debt instruments at FVTOCI are notes receivables which are considered to be held within a business model whose objective is achieved by both selling and collecting contractual cash flows. The notes receivables are principally bank accepted notes with maturity of less than one year (31 December 2018: less than one year).

(e) As at 31 December 2019, notes receivables of RMB447,055,000 (2018: RMB272,596,000) are pledged to banks for notes payables amounting to RMB446,973,000 (2018: RMB264,810,000).

As at 31 December 2019, debt instruments at FVTOCI of RMB8,958,000 (2018: RMB996,000) are pledged to banks for borrowings amounting to RMB9,000,000 (2018: RMB1,000,000).

As at 31 December 2018, trade receivables with amount of RMB200,000,000 (2019: nil) were pledged to banks for borrowings of RMB90,000,000 (2019: nil).

(f) Transfers of financial assets

As at 31 December 2019, notes receivables of RMB8,958,000 (2018: RMB996,000) and RMB1,128,057,000 (2018: RMB1,335,416,000) 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 these notes receivables.

As at 31 December 2019, the Group endorsed and discounted notes receivables of RMB4,483,713,000 (2018: RMB3,401,174,000) to suppliers and banks. In accordance with the relevant laws in the PRC, the holders of these notes receivables 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 receivables, and accordingly derecognised the full carrying amounts of the notes receivables and associated accounts payables.

The maximum exposure to loss from the Group's continuing involvement, if any, in the endorsed and discounted notes receivables 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 receivables are not significant.

12. TRADE AND NOTES PAYABLES

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000* (Restated)
Trade payables *(note (a))*	**18,706,653**	18,755,680
Notes payables	**4,542,854**	4,176,174
	23,249,507	22,931,854

Notes:

(a) Trade payables are analysed as follows:

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000* (Restated)
Trade payables		
– Fellow subsidiaries	**2,155,635**	3,890,854
– A joint venture	**30,000**	451
– Associates	**182,416**	196,386
– Third parties	**16,338,602**	14,667,989
	18,706,653	18,755,680

Trade payables due to related parties are unsecured, interest-free and payable in accordance with the relevant contracts entered into between the Group and the related parties.

Aging analysis of trade payables based on date of delivery of goods and service received is as follows:

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000* (Restated)
Less than 1 year	**15,495,056**	14,596,898
1 – 2 years	**964,841**	1,191,482
2 – 3 years	**542,438**	542,733
Over 3 years	**1,704,318**	2,424,567
	18,706,653	18,755,680

(b) The carrying amounts of trade and notes payables are denominated in the following currencies:

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000* (Restated)
RMB	**23,247,519**	22,928,229
USD	**1,988**	3,624
Others	**–**	1
	23,249,507	22,931,854

(c) The carrying amounts of trade and notes payables approximate their fair values.

(d) As at 31 December 2019, term deposits amounting to RMB520,872,000 (2018: RMB504,797,000) are pledged to banks for issuance of bank acceptance notes amounting to RMB1,044,380,000 (2018: RMB935,182,000).

As at 31 December 2019, notes receivables with amount of RMB447,055,000 (2018: RMB272,596,000) are pledged to banks for notes payables amounting to RMB446,973,000 (2018: RMB264,810,000).

13. RESERVES AND RETAINED EARNINGS

	Capital reserve *RMB'000*	Statutory reserve funds *RMB'000* *(note a)*	General reserve *RMB'000*	Future development fund *RMB'000* *(note b)*	Safety fund *RMB'000* *(note c)*	Other funds related to coal mining *RMB'000* *(note d)*	Translation reserve *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
Balance at 1 January 2018	31,920,677	4,097,890	253,419	1,378,575	861,620	99,324	(52,655)	6,852,677	30,736,566	76,148,093
Profit for the year (restated)	–	–	–	–	–	–	–	–	4,406,148	4,406,148
Other comprehensive expense	–	–	–	–	–	–	(18,138)	(149,181)	–	(167,319)
Appropriations	–	121,973	32,805	409,337	844,635	(5,181)	–	–	(1,403,569)	–
Share of other change of reserves of associates and joint ventures	–	–	–	–	–	–	–	(4,844)	4,844	–
Acquisition of subsidiaries under common control in 2018 *(Note 3)*	(285,210)	–	–	–	–	–	–	–	(585,555)	(870,765)
Acquisition of subsidiaries under common control in 2019 *(Note 3)*	1,000	–	–	–	–	–	–	–	46,878	47,878
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	(88,140)	(88,140)
Contributions	16,523	–	–	–	–	–	–	–	–	16,523
Dividends	–	–	–	–	–	–	–	–	(729,375)	(729,375)
Others	1,129	–	–	–	–	–	–	(71,663)	–	(70,534)
Balance at 31 December 2018 (restated)	31,654,119	4,219,863	286,224	1,787,912	1,706,255	94,143	(70,793)	6,626,989	32,387,797	78,692,509
Adjustments *(Note 4)*	–	–	–	–	–	–	–	–	(30,539)	(30,539)
Balance at 1 January 2019 (restated)	31,654,119	4,219,863	286,224	1,787,912	1,706,255	94,143	(70,793)	6,626,989	32,357,258	78,661,970
Profit for the year	–	–	–	–	–	–	–	–	6,197,168	6,197,168
Other comprehensive expense	–	–	–	–	–	–	6,182	(42,510)	–	(36,328)
Appropriations	–	312,661	115,019	109,500	355,129	(18,842)	–	–	(873,476)	(9)
Share of other change of reserves of associates and joint ventures	–	–	–	–	–	–	–	122,586	(122,586)	–
Acquisition of subsidiaries under common control in 2019 *(Note 3)*	(24,318)	–	–	–	–	–	–	–	–	(24,318)
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	(3,877)	(3,877)
Dividends	–	–	–	–	–	–	–	–	(1,034,176)	(1,034,176)
Transfer	–	–	–	–	–	–	–	(157,395)	157,395	–
Balance at 31 December 2019	31,629,801	4,532,524	401,243	1,897,412	2,061,384	75,301	(64,611)	6,549,670	36,677,706	83,760,430

Notes:

(a) Statutory reserve funds

In accordance with the PRC Company Law and the relevant articles of association, each of the Company and its subsidiaries established in the PRC (the "PRC Group Entities") 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 PRC Group Entities, to the statutory reserve funds until such reserve reaches 50% of the registered capital of the relevant PRC Group Entities. 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 relevant PRC Group Entities' 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 relevant PRC Group Entities.

(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 (2018: 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 1 August 2013.

(ii) Sustainable development fund

Pursuant to a regulation issued by the 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.

14. 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.

15. 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 2019 Face value** ***RMB'000***	31 December 2018 Face value *RMB'000*
Bank loans of:			
– Related parties	2027	**12,823,594**	14,239,089
– Third parties	2045	**284,000**	508,866
Total		**13,107,594**	14,747,955

16. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for by the Group at the end of the reporting period but not yet incurred is as follows:

	2019	2018
	RMB'000	*RMB'000*
Property, plant and equipment	**6,905,253**	3,870,828
Mining rights	**235,000**	235,000
	7,140,253	4,105,828

(b) Operating lease commitments

The Group as lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31 December 2018
	RMB'000
Within one year	87,481
In the second to fifth year inclusive	237,691
After five years	397,958
	723,130

(c) Investment commitments

According to the agreement entered into on 15 July 2006, Zhongtian Synergetic Energy Company Limited ("Zhongtian Synergetic") was established by the Company, China Petroleum & Chemical Corporation and other three companies. As a 38.75% shareholder, by 31 December 2019 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 in October 2014, Shanxi Jingshen Railway Company Limited ("Jingshen Railway") was established by China Coal Shaanxi Yulin Energy & Chemical Company Limited ("Shaanxi Yulin") (a subsidiary of the Company), Shaanxi Coal and Chemical Industry Group Co., Ltd., Shaanxi Yulin Coal Distribution Co., Ltd. and other six companies. As a 4% shareholder, by 31 December 2019 Shaanxi Yulin has invested RMB215 million in Jingshen Railway and is committed to further invest RMB33 million in the future.

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2019, facing the complex situation of evidently rising risks and challenges both at home and abroad, the Chinese economy adhered to the general tone of making progress amid stability, focused on supply-side structural reforms, strove to achieve high-quality development, and maintained overall stability with progress, which shows sufficient development tenacity. China Coal Energy took reform and innovation as its driving force, thoroughly implemented a new vision of development, consolidated and deepened the results of supply-side structural reforms, maintained strategic positioning, and proactively responded to downward market price and other adverse factors. Thus, new achievements have been made in various tasks, major production and operational indicators have hit new highs, and profitability and operating quality have reached a new level. During the year, the operating revenue of the Company amounted to RMB129.3 billion, representing a year-on-year increase of 24.2%; profit before income tax amounted to RMB13.02 billion, representing a year-on-year increase of 31.2%; profit attributable to the equity holders of the Company was RMB6.20 billion, representing a year-on-year increase of 40.6%. The cash-generating capacity was further enhanced with a year-on-year increase in net cash inflow generated from production and sales activities increased of RMB6.11 billion. Return on capital improved significantly with the return on net assets increased by 1.7 percentage points year-on-year. The asset-liability structure remained sound with a decrease of the gearing ratio of 2.2 percentage points as compared to the beginning of the year.

Over the past year, China Coal Energy has adhered to safe, efficient, green, and intelligent development, continuously released advanced production capacity, accurately grasped market situation, and constantly optimized product structure. As a result, the Company achieved new breakthroughs in production and sales of major products with the sales volume of self-produced commercial coal and proprietary coal trading both exceeding 100 million tonnes, and the total coal sales volume exceeding 200 million tonnes. During the year, the production volume of commercial coal of the Company reached 100 million tonnes, representing a year-on-year increase of 32%; coal sales volume was 230 million tonnes, representing a year-on-year increase of 38.6%, of which, the sales volume of proprietary coal trading was 120 million tonnes, representing a year-on-year increase of 45.1%. Coal chemical enterprises proactively coped with market changes, continuously strengthened the linkage among production, transportation, sales and marketing, maintained the operating situation of "work safety, stable production, long period operation, fully-loaded operation and producing quality products", achieving a total output for all coal chemical products of 4.39 million tonnes, representing a year-on-year increase of 8.8%, and all the coal chemical products produced were sold out. Coal mining equipment enterprises closely seized market opportunities, proactively strived for high-quality orders, continuously optimized production organization, and accelerated the pace of production, realizing the production value of RMB8.15 billion in coal mining equipment, representing a year-on-year increase of 17.3%. On behalf of the Board of the Company, I hereby would like to express my heartfelt appreciation to all Shareholders and people from all walks of life for their concern and support to the Company over the past year!

The above achievements represent our persistent focus on the principal business, constant adherence to development strategy, continuous optimization of industrial layout structure, and relentless deepening of transformation and upgrading. The comprehensive strength of coal segment was substantially enhanced, with the orderly release of advanced production capacity of Muduchaideng Coal Mine and Nalin River No.2 Coal Mine, official commencement of operation of Xiaohuigou Coal Mine with an annual production capacity of 3 million tonnes of main coking coal, and the smooth progress of projects under construction such as Dahaize Coal Mine with an annual output of 15 million tonnes of high-quality thermal coal and Libi Coal Mine with an annual output of 4 million tonnes of anthracite. The development of the coal chemical segment continued to be optimized with the steady push forward of the Technological Transformation Project of Annual Methanol Output of 1 Million Tonnes from Synthetic Gas. The power generation business was gradually scaled up with the completion of construction and commencement of operation of the 2×350MW thermal power project of Shanghai Energy Company and the 2×660MW Second Power Plant Project located in the north of Wucai Bay, Zhundong, Xinjiang. The marketing system was further improved with the full completion of the marketing network layout of domestic coastal, rivers, railways, and inland areas, the national-wide market coverage was preliminarily achieved, and the market influence and synergy of production and sales were significantly enhanced. Coal mining equipment enterprises closely focused on top-notch intelligent manufacturing, continuously improved the innovation system, and took "Double-Hundred Action" (雙百行動) as an opportunity to persistently promote industrial transformation and upgrading. With regard to the Company's finance business, its service support capabilities and fund management efficiency were improved significantly with the scale of operation, the innovation capability and profitability, and the operation quality among the most advanced positions in the industry. The circular economy of coal-electricity-chemical industry was further upgraded, and its related industries maintained stable operation with a sound development trend while the foundation for high-quality development was further consolidated, and its risk resistance capability was prominently improved.

Moving into 2020, the Company has seen a marked increase in various risks and challenges, as well as a mounting economic downward pressure, and the outbreak of novel coronavirus pneumonia has severely affected China's economy and society. The coal market witnessed more intensive competition with the growth of coal demand slowing down and the in-construction production capacities gradually released. However, in light of the strong resilience that the Chinese economy has displayed in seeking high-quality development, the basic trend of making progress while maintaining stability and long-term development has not changed. Coal will maintain its dominant role during a comparatively long period in China's energy structure. The Company is not afraid of the dark clouds blocking its view and is looking ahead with a positive mind. After years of reform, innovation and development, China Coal Energy has seen a continuous enhancement in the synergy and complementary advantages of coal, electricity, chemical and related industries, and its asset quality and risk resistance capacities have witnessed significant improvement, all of which have laid a solid groundwork for the Company's sustainable and high-quality development. The Company has sufficient confidence and rich experience to cope with all risks and challenges that may arise in the future.

The Company will continue to implement the new development concept, uphold the operating idea of "making progress amid stability with reform and innovation", continue to deepen supply-side structural reform and make coordinated efforts to push ahead all tasks, so as to achieve the annual production and operation targets and priority tasks and further promote the high-quality development of the Company. Firstly, by focusing on responsibilities and business and giving full play to the integration advantage of coal, electricity and chemical, the Company will be committed to growing stronger, better and bigger, continuously deepen industrial transformation and upgrading, and further strengthen the coordinated development of clean energy suppliers and integrated energy service providers, with an aim to ensure that the high-quality development can reach a new level. Secondly, by closely focusing on the annual production and operation targets, the Company will enhance operation and management to improve quality and efficiency, adhere to the strategy to broaden sources of income and reduce expenditure, proactively take actions to offset the effect of unfavourable factors such as the market downward pressure and the periodic impact of the novel coronavirus epidemic, with an aim to maintaining high profitability. Thirdly, the Company will overcome difficulties to deepen the reform of enterprises. By seizing the opportunity of the three-year-action-plan for state-owned enterprises reform, the Company will continue to take steps to ensure the success of the "Double-Hundred Action" (雙百行動), deepen institutional mechanism reform, and further stimulate employees' motivation and creativity, so as to continuously make new breakthroughs in various tasks. Fourthly, based on the Company's strategy, the Company will vigorously advance technological innovation, proactively carry out research and development of major programs, and strive to make breakthrough in key and core technologies, so as to enhance the competitiveness of the Company. Fifthly, by giving priority to stability in risk management and control, the Company will ensure the sustainable and healthy development through adhering to a robust operation philosophy and focusing on the management and control of risks relating to safety, operation, environmental protection, stability and epidemic disease.

The Company has a long and challenging journey to go before achieving greater goals. In 2020, China Coal Energy will keep in mind its original aspirations, strengthen its responsibilities and undertakings, and adopt a down-to-earth attitude. The Company will endeavor to forge ahead with determination with high morale in an aggressive manner with an aim to build a world first-class energy company and create more value for investors!

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 2019, the Group stuck to the policy of high-quality development, consolidated and deepened the achievements of supply-side structural reform, and continuously released advanced capacities, resulting in an increase in the output of self-produced commercial coal by 24.71 million tonnes from 77.13 million tonnes in 2018 to 101.84 million tonnes. The Group further improved its marketing system, proactively expanded sales channels, as a result, the sales volume of self-produced commercial coal increased by 25.28 million tonnes from 76.67 million tonnes in 2018 to 101.95 million tonnes, marking that all coal produced were sold out, while the sales volume of proprietary coal trading increased by 37.67 million tonnes from 83.60 million tonnes in 2018 to 121.27 million tonnes, reflecting the enhanced market presence. The Group improved its product quality, optimized the product structure and scientifically controlled costs, maintained the production in a safe, efficient and stable manner and effectively offset the downward impact of price, as a result, the gross profit of coal and coal mine equipment business increased by 12.0% and 19.2% respectively over 2018, and the gross profit margin of coal chemical business was basically flat over 2018. With financial business mainly servicing for the Group's principal business, the Group continued to press ahead with management innovation and technological innovation on financial business, leading to an increase of 21.8% and 17.5% in the amount of self-operated loans and the deposits absorbed respectively, and bringing effectiveness and efficiency of capital concentration into full play. As asset quality continued to improve, asset impairment loss (including credit impairment loss with reversal deducted) decreased by RMB575 million over 2018. The Group encouraged investment entities to strengthen corporate governance and increase economic returns, as a result, profits attributable to associates and joint ventures increased by RMB788 million from 2018.

Focusing on quality benefits and core competitiveness, the Group continuously optimized its industrial layout structure, promoted transformation and upgrading, and laid a solid foundation for coping with difficulties and challenges regarding high-quality development. In 2019, despite of the unfavorable factors such as the downward market prices of main products, the major performance indicators reached new highs, and the financial soundness was further enhanced.

Unit: RMB100 million

	For the year ended 31 December 2019	For the year ended 31 December 2018 (restated)	**Year-on-year** Increase/ decrease in amount	Increase/ decrease (%)
Revenue	**1,292.94**	1,041.40	251.54	24.2
Profit before income tax	**130.19**	99.25	30.94	31.2
EBITDA	**248.57**	193.74	54.83	28.3
Profit attributable to the equity holders of the Company	**61.97**	44.06	17.91	40.6
Net cash generated from operating activities	**219.84**	204.26	15.58	7.6

Unit: RMB100 million

	As at 31 December 2019	As at 31 December 2018 (restated)	Year-on-year Increase/ decrease in amount	Year-on-year Increase/ decrease (%)
Assets	**2,724.69**	2,642.73	81.96	3.1
Liabilities	**1,552.48**	1,537.73	14.75	1.0
Interest-bearing debts	**942.40**	973.61	-31.21	-3.2
Equity	**1,172.21**	1,105.00	67.21	6.1
Equity attributable to the equity holders of the Company	**970.19**	919.51	50.68	5.5
Gearing ratio (%) = total interest-bearing debts/(total interest-bearing debts + equity)	**44.6**	46.8	A decrease of 2.2 percentage points	

II. Operating Results

(1) Consolidated operating results

Revenue, cost of sales and gross profit before netting of inter-segmental sales generated from each operating segment of the Group for the year ended 31 December 2019 and the year-on-year changes are set out as follows:

Unit: RMB100 million

	For the year ended 31 December 2019 (before netting of inter-segmental sales)			**Year-on-year increase/ decrease in amount**		
	Revenue	**Cost of sales**	**Gross profit**	Revenue	Cost of sales	Gross profit
Coal operations	1,045.08	882.80	162.28	235.96	218.60	17.36
Coal chemical operations	177.72	146.78	30.94	-2.34	-1.18	-1.16
Coal mining equipment operations	82.70	71.60	11.10	12.18	10.39	1.79
Financial operations	11.82	3.54	8.28	11.82	3.51	8.31
Other operations	54.41	54.10	0.31	15.90	12.59	3.31
Inter-segment elimination	-78.79	-75.85	-2.94	-21.98	-19.78	-2.20
The Group	1,292.94	1,082.97	209.97	251.54	224.13	27.41

Note: In view of the development of its financial operations, the Group has singled it out as an independent business segment and separately disclosed such information as the revenue and cost of sales in the management's discussion and analysis of the Group's financial conditions and operating results as well as the business performance since 2019, as an effort to facilitate the financial statement users' understanding of the performance of various business segments.

1. Revenue

For the year ended 31 December 2019, the Group's revenue increased from RMB104.140 billion for the year ended 31 December 2018 to RMB129.294 billion, representing an increase of RMB25.154 billion or 24.2%, which was mainly due to the an increase in the output of self-produced commercial coal as a result of the gradual release of advanced coal production capacity by the Group, as well as the expansion on the sales scale of proprietary coal trading of the Group through leveraging on its marketing advantages, which resulted in a year-on-year increase of RMB22.525 billion in the revenue net of inter-segmental sales, representing an increase of 29.2%.

Revenue net of inter-segmental sales generated from each operating segment of the Group for the year ended 31 December 2019 and the year-on-year changes are set out as follows:

Unit: RMB100 million

	Revenue net of inter-segmental sales			
			Year-on-year	
	For the year ended 31 December 2019	For the year ended 31 December 2018 (restated)	Increase/ decrease in amount	Increase/ decrease (%)
Coal operations	**996.19**	770.94	225.25	29.2
Coal chemical operations	**175.12**	178.66	-3.54	-2.0
Coal mining equipment operations	**70.21**	61.85	8.36	13.5
Financial operations	**7.76**	–	7.76	–
Other operations	**43.66**	29.95	13.71	45.8
The Group	**1,292.94**	1,041.40	251.54	24.2

The proportion of revenue net of inter-segmental sales generated from each operating segment of the Group in the Group's total revenue for the year ended 31 December 2019 and the year-on-year changes are set out as follows:

	Proportion of revenue net of inter-segmental sales (%)		
	For the year ended 31 December 2019	For the year ended 31 December 2018 (restated)	**Increase/ decrease (percentage point(s))**
Coal operations	**77.1**	74.0	3.1
Coal chemical operations	**13.5**	17.2	-3.7
Coal mining equipment operations	**5.4**	5.9	-0.5
Financial operations	**0.6**	–	0.6
Other operations	**3.4**	2.9	0.5

2. *Cost of sales*

For the year ended 31 December 2019, the Group's cost of sales increased by 26.1% from RMB85.884 billion for the year ended 31 December 2018 to RMB108.297 billion, which was mainly due to the increase in the output and sales volume of self-produced commercial coal of the Group, the expansion on the scale of proprietary coal trading etc., all of which led to a year-on-year increase of RMB21.860 billion or 32.9% in the cost of sales of its coal business. The changes in the major items of the Group's cost of sales are analysed as follows:

The costs of materials used and goods traded increased by 24.9% from RMB53.879 billion for the year ended 31 December 2018 to RMB67.283 billion, which was mainly attributable to the year-on-year increase of 37.67 million tonnes in the sales volume of proprietary coal trading of the Group, which led to a year-on-year increase of RMB12.498 billion in procurement costs of trading coal. In addition, a year-on-year increase in the output of self-produced commercial coal resulted in the corresponding increase of material consumption for coal production.

Staff costs increased by 21.8% from RMB4.542 billion for the year ended 31 December 2018 to RMB5.532 billion, which was mainly attributable to the fact that some construction projects of the Group were successively put into production, as well as the Group's adjustments to the salaries of its employees in consideration of its operating results.

Depreciation and amortisation costs increased by 32.7% from RMB6.940 billion for the year ended 31 December 2018 to RMB9.209 billion, which was mainly attributable to the successive commissioning of the Group's certain construction projects.

Repairs and maintenance costs increased by 21.7% from RMB1.530 billion for the year ended 31 December 2018 to RMB1.862 billion, which was mainly due to the Group's effort in strengthening the daily repairs and maintenance of its equipment.

Transportation costs and port expenses increased by 24.4% from RMB9.992 billion for the year ended 31 December 2018 to RMB12.435 billion, which was mainly attributable to the increase in sales volume of coal that bears the railroad transportation costs and port expenses as a result of the expansion of the Group's coal sales scale.

Sales taxes and surcharges increased by 23.0% from RMB2.835 billion for the year ended 31 December 2018 to RMB3.486 billion, which was mainly attributable to the increase in the sales revenue of the Group's self-produced commercial coal, resulting in the year-on-year increase of resource tax and surcharge tax.

Outsourced mining engineering fees increased by 90.9% from RMB1.807 billion for the year ended 31 December 2018 to RMB3.450 billion, which was mainly attributable to the increase in the outsourced mining engineering volume due to the expansion of coal production scale of the Group, as well as the adoption of several measures such as increasing its efforts to strip the open-pit mines and excavating the underground mines for enhancing the continuous production.

Other costs increased by 15.6% from RMB4.359 billion for the year ended 31 December 2018 to RMB5.040 billion, which was mainly attributable to the increase in expenses such as the Group's related sporadic engineering expenditure and auxiliary expenses.

3. Gross profit and gross profit margin

For the year ended 31 December 2019, affected by the downward market prices of main products, the Group's integrated gross profit margin decreased by 1.3 percentage points from 17.5% for the year ended 31 December 2018 to 16.2%. However, the price downward affect was effectively offset through the measures of the continuous release of advanced coal production capacity, scientific cost control and proactive expansion of sales scale of the Group, as a result of which, the Group's gross profit increased by 15.0% from RMB18.256 billion for the year ended 31 December 2018 to RMB20.997 billion.

The gross profit and gross profit margin from each operating segment of the Group for the year ended 31 December 2019 and the year-on-year changes are set out as follows:

Unit: RMB100 million

	Gross profit			Gross profit margin (%)		
	For the year ended 31 December 2019	For the year ended 31 December 2018 (restated)	**Increase/ decrease (%)**	**For the year ended 31 December 2019**	For the year ended 31 December 2018 (restated)	**Increase/ decrease (percentage point(s))**
Coal operations	**162.28**	144.92	12.0	**15.5**	17.9	-2.4
Self-produced commercial coal	**156.44**	140.38	11.4	**31.5**	36.1	-4.6
Proprietary coal trading	**5.31**	3.97	33.8	**1.0**	1.0	–
Coal chemical operations	**30.94**	32.10	-3.6	**17.4**	17.8	-0.4
Coal mining equipment operations	**11.10**	9.31	19.2	**13.4**	13.2	0.2
Financial operations	**8.28**	-0.03	–	**70.1**	–	–
Other operations	**0.31**	-3.00	–	**0.6**	-7.8	8.4
The Group	**209.97**	182.56	15.0	**16.2**	17.5	-1.3

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 Operations Segment

(1) Revenue

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

For the year ended 31 December 2019, the revenue from coal operations of the Group increased by 29.2% from RMB80.912 billion for the year ended 31 December 2018 to RMB104.508 billion. Revenue net of inter-segmental sales increased by 29.2% from RMB77.094 billion for year ended 31 December 2018 to RMB99.619 billion.

For the year ended 31 December 2019, the revenue from sales of the self-produced commercial coal of the Group increased by 27.5% from RMB38.914 billion for year ended 31 December 2018 to RMB49.596 billion, which was mainly attributable to the year-on-year increase of 25.28 million tonnes in the sales volume and RMB12.827 billion in the sales revenue of self-produced commercial coal; the year-on-year decrease of RMB22/tonne in the weighted average sales price led to a decrease of RMB2.145 billion in the revenue of self-produced commercial coal. Revenue net of inter-segmental sales increased by 24.2% from RMB38.426 billion for the year ended 31 December 2018 to RMB47.708 billion.

For the year ended 31 December 2019, the revenue from sales of proprietary coal trading of the Group increased by 31.2% from RMB41.515 billion for the year ended 31 December 2018 to RMB54.450 billion, which was mainly attributable to the year-on-year increase of 37.67 million tonnes in the sales volume and RMB18.703 billion in the revenue from sales of proprietary coal trading; the year-on-year decrease of RMB48/tonne in the comprehensive sales price led to a decrease of RMB5.768 billion in the revenue from sales of proprietary coal trading. Revenue net of inter-segmental sales increased by 34.7% from RMB38.257 billion for year ended 31 December 2018 to RMB51.529 billion.

For the year ended 31 December 2019, revenue from coal agency operations of the Group increased by RMB2 million from RMB31 million for the year ended 31 December 2018 to RMB33 million.

The Group's coal sales volume and selling prices for the year ended 31 December 2019 and the year-on-year changes before netting of inter-segmental sales are set out as follows:

			For the year ended 31 December 2019		For the year ended 31 December 2018		**Year-on-year** 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		**10,195**	**486**	7,667	508	2,528	-22	33.0	-4.3
	(I)	Thermal coal	**9,162**	**432**	6,792	443	2,370	-11	34.9	-2.5
		1. Domestic sale	**9,143**	**431**	6,786	442	2,357	-11	34.7	-2.5
		2. Export	**19**	**579**	6	590	13	-11	216.7	-1.9
	(II)	Coking coal	**1,033**	**973**	875	1,012	158	-39	18.1	-3.9
		Domestic sale	**1,033**	**973**	875	1,012	158	-39	18.1	-3.9
II. Proprietary coal trading	Total		**12,127**	**449**	8,360	497	3,767	-48	45.1	-9.7
	(I)	Domestic resale	**11,984**	**447**	8,305	494	3,679	-47	44.3	-9.5
	(II)	Self-operated exports*	**35**	**1,247**	27	1,260	8	-13	29.6	-1.0
	(III)	Import trading	**108**	**392**	28	526	80	-134	285.7	-25.5
III. Import and export and domestic agency★	Total		**806**	**4**	658	5	148	-1	22.5	-20.0
	(I)	Import agency	**139**	**4**	40	5	99	-1	247.5	-20.0
	(II)	Export agency	**156**	**8**	238	8	-82	–	-34.5	–
	(III)	Domestic agency	**511**	**3**	380	3	131	–	34.5	–

* : Briquette export.

★: Selling price is agency service fee.

Note: Sales volume of the commercial coal includes the inter-segment self-consumption volume of the Group, which amounted to 14.42 million tonnes for 2019 and 11.20 million tonnes for 2018.

(2) Cost of sales

For the year ended 31 December 2019, the Group's sales cost of coal business increased by 32.9% from RMB66.420 billion for the year ended 31 December 2018 to RMB88.280 billion, which was mainly attributable to the continuous release of advanced coal production capacity and expansion on the scale of proprietary coal trading led to a significant increase in the sales volume of coal. The composition of the cost of sales of the Group's coal operations and its year-on-year changes are set out as follows:

Unit: RMB100 million

Item	**For the year ended 31 December 2019**	**Percentage (%)**	For the year ended 31 December 2018 (restated)	Percentage (%)	**Year-on-year** Increase/ decrease in amount	Increase/ decrease (%)
Materials costs	**61.86**	**7.0**	42.83	6.4	19.03	44.4
Proprietary coal trading cost ☆	**515.78**	**58.5**	390.80	58.8	124.98	32.0
Staff costs	**34.63**	**3.9**	27.43	4.1	7.20	26.2
Depreciation and amortisation	**54.68**	**6.2**	37.52	5.6	17.16	45.7
Repairs and maintenance	**12.62**	**1.4**	9.76	1.5	2.86	29.3
Transportation costs and port expenses	**113.30**	**12.8**	89.96	13.5	23.34	25.9
Sales taxes and surcharges	**30.49**	**3.5**	24.33	3.7	6.16	25.3
Outsourcing mining engineering fees	**34.50**	**3.9**	18.07	2.7	16.43	90.9
Other costs ★	**24.94**	**2.8**	23.50	3.7	1.44	6.1
Total cost of sales for coal operations	**882.80**	**100.0**	664.20	100.0	218.60	32.9

☆ : This cost does not include transportation costs related to proprietary coal trading and port expenses. Such transportation costs and port expenses amounted to RMB2.341 billion for 2019 and RMB2.039 billion for 2018, both of which are set out in the item of transportation costs and port expenses.

★ : Other costs include the environmental restoration expenses arising from coal mining, and the expenditures for the small projects incurred in direct relation to coal production.

The composition of the Group's unit cost of sales of self-produced commercial coal for the year ended 31 December 2019, and the year-on-year changes are set out as follows:

Unit: RMB/tonne

Item	**For the year ended 31 December 2019**	**Percentage (%)**	For the year ended 31 December 2018	Percentage (%)	**Year-on-year** Increase/ decrease in amount	Increase/ decrease (%)
Materials costs	**60.67**	**18.2**	55.87	17.2	4.80	8.6
Staff costs	**33.96**	**10.2**	35.77	11.0	-1.81	-5.1
Depreciation and amortisation	**53.64**	**16.1**	48.94	15.1	4.70	9.6
Repairs and maintenance	**12.38**	**3.7**	12.73	3.9	-0.35	-2.7
Transportation costs and port expenses	**87.91**	**26.4**	90.74	28.0	-2.83	-3.1
Sales taxes and surcharges	**29.91**	**9.0**	31.72	9.8	-1.81	-5.7
Outsourcing mining engineering fees	**33.84**	**10.2**	23.57	7.3	10.27	43.6
Other costs	**20.72**	**6.2**	25.11	7.7	-4.39	-17.5
Total unit cost of sales of self-produced commercial coal	**333.03**	**100.0**	324.45	100.0	8.58	2.6

For the year ended 31 December 2019, the Group's unit cost of sales of self-produced commercial coal increased by RMB8.58/tonne year-on-year to RMB333.03/tonne, representing an increase of 2.6%, which was mainly attributable to the increase in the unit outsourcing mining engineering fees and material costs due to the increase in the mining engineering volume and materials consumed as the Group increased its efforts to strip the open-pit mines and excavate the underground mines for enhancing the continuous production. In the second half of 2018, the successive commissioning of certain construction projects increased the depreciation and amortisation, leading to an increase in the unit costs of depreciation and amortisation. The year-on-year decrease in sales price of self-produced commercial coal and the year-on-year decrease in gross profit margin caused a decrease in unit sales tax and surcharge. In addition, the dilution effect of the increase in the production and sales volume of self-produced commercial coal, and the decrease in the proportion of sales volume of self-produced commercial coal that bears the railroad transportation costs and port expenses for total sales volume of self-produced commercial coal of the Group, which has led to the year-on-year decrease in the unit staff cost, unit repair and maintenance cost, unit transportation costs and port expenses, and other costs such as the environmental restoration expenses arising from coal mining, and the expenditures for the small projects incurred in direct relation to coal production.

(3) Gross profit and gross profit margin

For the year ended 31 December 2019, affected by market situation, the sales price of coal registered a year-on-year decrease, and gross profit margin from coal operations segment decreased by 2.4 percentage points from 17.9% for the year ended 31 December 2018 to 15.5%. However, due to the significant increase in the sales volume of coal and the effective cost control, the gross profit increased by 12.0% from RMB14.492 billion for the year ended 31 December 2018 to RMB16.228 billion.

2. Coal Chemical Operations Segment

(1) Revenue

For the year ended 31 December 2019, the revenue from coal chemical operations of the Group decreased by 1.3% from RMB18.006 billion for the year ended 31 December 2018 to RMB17.772 billion. Revenue net of inter-segmental sales decreased by 2.0% from RMB17.866 billion for the year ended 31 December 2018 to RMB17.512 billion, which was mainly attributable to the significant year-on-year decrease in coal chemical products' prices due to the impact of the market conditions.

The sales volume and selling prices of the major self-produced coal chemical products of the Group for the year ended 31 December 2019 and the year-on-year changes are set out as follows:

		For the year ended 31 December 2019		For the year ended 31 December 2018		**Year-on-year** 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	**145.0**	**7,214**	146.7	8,086	-1.7	-872	-1.2	-10.8
	Polyethylene	**75.2**	**6,919**	74.4	8,181	0.8	-1,262	1.1	-15.4
	Polypropylene	**69.8**	**7,531**	72.3	7,988	-2.5	-457	-3.5	-5.7
II.	Urea	**229.1**	**1,763**	192.9	1,819	36.2	-56	18.8	-3.1
III.	Methanol	**95.8**	**1,543**	71.9	2,100	23.9	-557	33.2	-26.5
	Inter-segment self-consumption volume♦	**82.0**	**1,528**	64.4	2,072	17.6	-544	27.3	-26.3
	External sales	**13.8**	**1,628**	7.5	2,342	6.3	-714	84.0	-30.5

♦ : The amount of inter-segment self-consumption volume represents the amount of methanol consumed by China Coal Yuanxing Company and China Coal Shaanxi Company to Mengda Chemical Company and Ordos Energy Chemical Company.

(2) Cost of sales

For the year ended 31 December 2019, cost of sales for the coal chemical operations of the Group decreased by 0.8% from RMB14.796 billion for the year ended 31 December 2018 to RMB14.678 billion, which was mainly attributable to a year-on-year decrease in procurement price of raw materials and the continual strengthened lean management on cost by each coal chemical enterprise. The composition of the cost of sales for the Group's coal chemical operations and the year-on-year changes are set out as follows:

Unit: RMB100 million

Item	**For the year ended 31 December 2019**	**Percentage (%)**	For the year ended 31 December 2018	Percentage (%)	**Year-on-year** Increase/ decrease in amount	Increase/ decrease (%)
Materials costs	**82.99**	**56.5**	88.92	60.1	-5.93	-6.7
Staff costs	**8.25**	**5.6**	7.57	5.1	0.68	9.0
Depreciation and amortisation	**27.35**	**18.6**	24.57	16.6	2.78	11.3
Repairs and maintenance	**4.78**	**3.3**	3.68	2.5	1.10	29.9
Transportation costs and port expenses	**9.65**	**6.6**	9.41	6.4	0.24	2.6
Sales taxes and surcharges	**3.25**	**2.2**	2.93	2.0	0.32	10.9
Other costs	**10.51**	**7.2**	10.88	7.3	-0.37	-3.4
Total cost of sales for coal chemical operations	**146.78**	**100.0**	147.96	100.0	-1.18	-0.8

The cost of sales of the major self-produced coal chemical products of the Group for the year ended 31 December 2019 and the year-on-year changes are set out as follows:

Item	**Cost of sales (RMB100 million)**			**Unit cost of sales (RMB/tonne)**		
	For the year ended 31 December 2019	For the year ended 31 December 2018	**Increase/ decrease in amount**	**For the year ended 31 December 2019**	For the year ended 31 December 2018	**Increase/ decrease in amount**
1. Polyolefin	**87.86**	99.86	-12.00	**6,062**	6,809	-747
(1) Polyethylene	**46.06**	50.65	-4.59	**6,128**	6,807	-679
(2) Polypropylene	**41.80**	49.21	-7.41	**5,991**	6,810	-819
2. Urea	**29.63**	24.48	5.15	**1,294**	1,269	25
3. Methanol▲	**13.14**	10.72	2.42	**1,373**	1,490	-117

▲: The cost of sales of methanol includes the corresponding sales cost of inter-segmental consumption.

For the year ended 31 December 2019, the cost of sales of the Group's polyolefin was RMB8.786 billion, representing a year-on-year decrease of RMB1.20 billion; unit cost of sales was RMB6,062/tonne, representing a year-on-year decrease of RMB747/tonne, which was mainly attributable to the impact of the continual strengthened lean management on cost and the decreased procurement prices of methanol. The cost of sales of urea was RMB2.963 billion, representing a year-on-year increase of RMB515 million; the unit cost of sales of urea was RMB1,294/tonne, representing a year-on-year increase of RMB25/tonne. The cost of sales of methanol was RMB1.314 billion, representing a year-on-year increase of RMB242 million; the unit cost of sales of methanol was RMB1,373/tonne, representing a year-on-year decrease of RMB117/tonne, which was mainly attributable to the improvement in the operation of methanol facilities, resulting in an increase in production volume year on year.

(3) Gross profit and gross profit margin

For the year ended 31 December 2019, the Group strengthened lean management, scientifically controlled costs, enhanced marketing management, which offset the effects of downward market price in coal chemical products. As a result, the gross profit of the Group's coal chemical operations decreased by 3.6% from RMB3.210 billion for the year ended 31 December 2018 to RMB3.094 billion; and the gross profit margin decreased by 0.4 percentage point from 17.8% for the year ended 31 December 2018 to 17.4%.

3. Coal Mining Equipment Operations Segment

(1) Revenue

Using scientific innovation as the engine, the Group continuously promoted product and service transformation and upgrading, improved the market competitiveness of the products, and thus achieved an increase in the orders for coal mining equipment products. For the year ended 31 December 2019, the Group's revenue from the coal mining equipment operations increased from RMB7.052 billion for the year ended 31 December 2018 to RMB8.270 billion, representing an increase of 17.3%, of which, the revenue net of other intersegmental sales increased from RMB6.185 billion for the year ended 31 December 2018 to RMB7.021 billion, representing an increase of 13.5%.

(2) *Cost of sales*

For the year ended 31 December 2019, the Group's cost of sales for the coal mining equipment operations increased from RMB6.121 billion for the year ended 31 December 2018 to RMB7.160 billion, representing an increase of 17.0%. The composition of the Group's cost of sales for the coal mining equipment operations and the year-on-year changes are set out as follows:

Unit: RMB100 million

Item	**For the year ended 31 December 2019**	**Percentage (%)**	For the year ended 31 December 2018	Percentage (%)	**Year-on-year** Increase/ decrease in amount	Increase/ decrease (%)
Materials costs	**50.20**	**70.1**	45.46	74.3	4.74	10.4
Staff costs	**6.48**	**9.1**	5.07	8.3	1.41	27.8
Depreciation and amortisation	**3.71**	**5.2**	3.23	5.3	0.48	14.9
Repairs and maintenance	**1.07**	**1.5**	0.52	0.8	0.55	105.8
Transportation costs	**1.88**	**2.6**	1.20	2.0	0.68	56.7
Sales taxes and surcharges	**0.38**	**0.5**	0.26	0.4	0.12	46.2
Other costs	**7.88**	**11.0**	5.47	8.9	2.41	44.1
Total cost of sales for coal mining equipment operations	**71.60**	**100.0**	61.21	100.0	10.39	17.0

(3) *Gross profit and gross profit margin*

For the year ended 31 December 2019, the gross profit of the Group's coal mining equipment operations segment increased from RMB931 million for the year ended 31 December 2018 to RMB1.110 billion, representing an increase of 19.2%; and the gross profit margin increased from 13.2% for the year ended 31 December 2018 to 13.4%, representing an increase of 0.2 percentage point.

4. *Financial Operations Segment*

The Group's financial operations relied on Finance Company as the main support, and applied advanced budget management system and information management technology to provide financial services such as deposits, loans and bill discounting for the members of China Coal Group, aiming to fully realize the benefits of intensive management of the Group's capital by applying placement of interbank deposits and other financial measures. For the year ended 31 December 2019, revenue of financial operations of the Group was RMB1.182 billion (revenue net of inter-segmental sales was RMB776 million); cost of sales was RMB354 million; and gross profit and gross profit margin were RMB828 million and 70.1%, respectively.

5. Other Operations Segment

Other operations segment of the Group mainly include thermal power generation, aluminum processing, import of equipment and accessories, tendering and bidding services, railway transportation and other business. For the year ended 31 December 2019, the revenue from other operations of the Group increased from RMB3.851 billion for the year ended 31 December 2018 to RMB5.441 billion, representing an increase of 41.3%. Revenue net of inter-segmental sales increased from RMB2.995 billion for the year ended 31 December 2018 to RMB4.366 billion, representing an increase of 45.8%. Cost of sales increased from RMB4.151 billion for the year ended 31 December 2018 to RMB5.410 billion, representing an increase of 30.3%. Gross profit increased by RM331 million from RMB-300 million for the year ended 31 December 2018 to RMB31 million, and gross profit margin increased from -7.8% for the year ended 31 December 2018 to 0.6%, representing an increase of 8.4 percentage points.

(3) Selling, general and administrative expenses

For the year ended 31 December 2019, the Group's selling, general and administrative expenses increased from RMB5.418 billion for the year ended 31 December 2018 to RMB5.530 billion, representing an increase of 2.1%, which was mainly due to the year-on-year increase in sales expenses as a result of the expansion to the Group's sales scale, as well as the increase in research and development expenses accordingly as a result of the enhancement on efforts in technical research and development by the Group.

(4) Other gains and losses

For the year ended 31 December 2019, other net gains and losses of the Group increased by RMB622 million from RMB-933 million for the year ended 31 December 2018 to RMB-311 million., representing an increase of RMB622 million. This was mainly attributable to the year-on-year decrease in the provision for impairment of assets made by the Group in this year. In recent years, the Group further pushed forward the supply-side structural reform for continuously solidifying the asset quality. In line with the principle of prudence, to objectively and fairly reflect the status of the assets, the Group conducted impairment tests on assets that showed signs of impairment during the year ended 31 December 2019 according to Accounting Standards, and recognised impairment provisions accordingly based on the result of the impairment tests. Among which, provision for impairment of property, plant and equipment with recoverable amount less than carrying amount amounted to RMB592 million; provision for impairment of other non-current assets with recoverable amount less than carrying amount amounted to RMB62 million.

(5) Profit from operations

For the year ended 31 December 2019, the Group's profit from operations increased from RMB11.774 billion for the year ended 31 December 2018 to RMB15.175 billion, representing an increase of 28.9%. Profits from operations for each operating segment of the Group and the year-on-year changes are as follows:

Unit: RMB100 million

Item	**For the year ended 31 December 2019**	For the year ended 31 December 2018 (restated)	**Year-on-year** Increase/ decrease in amount	Increase/ decrease (%)
The Group	**151.75**	117.74	34.01	28.9
Of which: Coal operations	**131.34**	108.26	23.08	21.3
Coal chemical operations	**24.84**	20.24	4.60	22.7
Coal mining equipment operations	**3.04**	2.12	0.92	43.4
Finance operations	**7.63**	-0.23	7.86	–
Other operations	**-9.07**	-9.01	-0.06	0.7

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 2019, the Group's net finance costs increased by 30.0% from RMB3.657 billion for the year ended 31 December 2018 to RMB4.754 billion, which was mainly attributable to, among others, the effect that certain in-construction projects of the Group were put into production whereby the relevant interest expenses were recorded as expenses.

(7) Share of profits of associates and joint ventures

For the year ended 31 December 2019, the Group's share of profits of associates and joint ventures increased by 43.6% from RMB1.809 billion for the year ended 31 December 2018 to RMB2.597 billion, which was mainly attributable to the Group's cooperation with the shareholders of its partners to leverage their respective advantages to strengthen the management of the associates and joint ventures, resulting in a year-on-year increase in the profits of the associates and joint ventures, as well as the Group's share of profits of associates and joint ventures recognised in accordance with its shareholding.

(8) **Profit before income tax**

For the year ended 31 December 2019, the profit before income tax of the Group increased from RMB9.925 billion for the year ended 31 December 2018 to RMB13.019 billion, representing an increase of 31.2%.

(9) **Income tax expense**

For the year ended 31 December 2019, the Group's income tax expenses increased from RMB2.535 billion for the year ended 31 December 2018 to RMB3.499 billion, representing an increase of 38.0%.

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

For the year ended 31 December 2019, the profit attributable to the equity holders of the Company increased from RMB4.406 billion for the year ended 31 December 2018 to RMB6.197 billion, representing an increase of 40.6%.

III. Cash Flow

As at 31 December 2019, the balance of the Group's cash and cash equivalents amounted to RMB12.137 billion, representing a net increase of RMB3.765 billion as compared to RMB8.372 billion as at 31 December 2018.

Net cash inflow generated from operating activities increased by RMB1.558 billion from RMB20.426 billion for the year ended 31 December 2018 to RMB21.984 billion. This was mainly attributable to the combined effect of the year-on-year increase in operating results of the Group and the further refinement of capital management, which led to a year-on-year increase of RMB6.107 billion in net cash inflow generated from production and sales activities, and the year-on-year decrease of RMB3.971 billion in cash inflow generated from absorption of deposits of members other than China Coal Energy by Finance Company.

Net cash used in investing activities decreased by RMB5.960 billion from RMB14.617 billion for the year ended 31 December 2018 to RMB8.657 billion. This was mainly the combined effect of the year-on-year decrease of RMB8.046 billion in the cash outflow arisen from the change in term deposits with an initial deposit period of more than three months, and the year-on-year increase of RMB1.463 billion in the cash outflow and the year-on-year increase of RMB462 million in capital expenditures generated from the change in the self-operated loan issued by Finance Company to other member corporations other than China Coal Energy.

Net cash outflows generated from financing activities increased by RMB1.965 billion from RMB7.601 billion for the year ended 31 December 2018 to RMB9.566 billion, which was mainly attributable to the combined effect of the year-on-year decrease in the net debt facility of the Group, the year-on-year increase in dividends paid and the year-on-year decrease in consideration paid for business combination under common control.

IV. Sources of Capital

For the year ended 31 December 2019, the Group's funds were mainly derived from the proceeds generated from business operations, bank borrowings and net proceeds raised in capital markets. The Group's funds were mainly used for investments in production facilities and equipment for coal, coal chemical, coal mining equipment and power generation operations, repayment of debts payable by the Group, and as the Group's working capital and general recurring expenditures.

During the reporting period, the Group has repaid the loans as well as the principal and interests of the bonds when they become due. No overdue or default has occurred.

The cash generated from the Group's operation, net proceeds from share offering in the international 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 2019, the net value of property, plant and equipment of the Group amounted to RMB129.998 billion, representing a net decrease of RMB2.084 billion or 1.6% as compared to RMB132.082 billion as at 31 December 2018, among which, the net value of buildings was RMB41.291 billion, accounting for 31.8%; that of mining structures was RMB24.523 billion, accounting for 18.9%; that of plant, machinery and equipment was RMB47.532 billion, accounting for 36.5%; that of construction in progress was RMB12.609 billion, accounting for 9.7%; and that of railways, transportation vehicles and other was RMB4.043 billion, accounting for 3.1%.

(2) Right-of-use assets

As at 31 December 2019, the net value of the Group's right-of-use assets was RMB434 million, which is the right-of-use assets as recognised by the Group from the rights to use the leased assets during the lease term under the IFRS 16 – Leases.

(3) Mining rights

As at 31 December 2019, the net value of the Group's mining rights amounted to RMB38.880 billion, representing a net increase of RMB3.327 billion or 9.4% as compared to RMB35.553 billion as at 31 December 2018, which was mainly because the mining rights are added to the proceeds from transfer of mining rights payable by the Group's coal producers in accordance with China's relevant policy.

(4) Investments in associates and joint ventures

As at 31 December 2019, the net value of the Group's investment in associates and joint ventures amounted to RMB24.177 billion, representing a net increase of RMB4.350 billion or 21.9% as compared to RMB19.827 billion as at 31 December 2018, which was mainly due to the combined effects of the Group's transfer of partial equity instruments at fair value through other comprehensive income to investments in associates, as well as the recognition of profits from associates and joint ventures by the Group, and the receipt of dividends declared from associates and joint ventures.

(5) Equity instruments at fair value through other comprehensive income

As at 31 December 2019, the net value of the Group's equity instruments at fair value through other comprehensive income amounted to RMB2.329 billion, representing a net decrease of RMB2.235 billion or 49.0% as compared to RMB4.564 billion as at 31 December 2018, which was mainly due to the Group's transfer of partial equity instruments at fair value through other comprehensive income to the investment in associates.

(6) Other non-current assets

As at 31 December 2019, the net value of other non-current assets of the Group was RMB10.733 billion, representing a net increase of RMB3.961 billion or 58.5% as compared with RMB6.772 billion as at 31 December 2018, which was mainly attributable to the increase in the loans provided by Finance Company to the members within the Group (other than China Coal Energy), and China Coal Pingshuo No.1 Coal Gangue Power Generation Company Limited was no longer included in the scope of consolidation and Pingshuo Group no longer offset its receivables.

(7) Trade receivables

As at 31 December 2019, the Group's net value of trade receivables amounted to RMB7.316 billion, representing a net increase of RMB2.435 billion or 49.9% as compared to RMB4.881 billion as at 31 December 2018, which was mainly due to the increment in the Group's revenue which increased the trade receivables within the settlement period accordingly.

(8) Debt instruments at fair value through other comprehensive income

As at 31 December 2019, the Group's net value of debt instruments at fair value through other comprehensive income was RMB6.897 billion, representing a net decrease of RMB3.092 billion or 31.0% as compared to RMB9.989 billion as at 31 December 2018, which was mainly due to the significant decrease in bill receivables arisen from the increase in utilization of acceptance notes by the Group through discount and endorsement transfer.

(9) Borrowings

As at 31 December 2019, the balance of borrowings of the Group amounted to RMB61.314 billion, representing a net decrease of RMB2.156 billion or 3.4% as compared with RMB63.470 billion as at 31 December 2018, among which, the balance of long-term borrowings (including long-term borrowings due within one year) was RMB57.048 billion, representing a net decrease of RMB114 million as compared to RMB57.162 billion as at 31 December 2018, and the balance of short-term borrowings amounted to RMB4.266 billion, representing a net decrease of RMB2.042 billion as compared to RMB6.308 billion as at 31 December 2018.

(10) Lease liabilities

As at 31 December 2019, the balance of lease liabilities of the Group (including lease liabilities due within one year) amounted to RMB504 million, which was mainly attributable to the Group having the present value of its lease payments outstanding recognised as lease liabilities under the IFRS 16 – Leases.

(11) Long-term bonds

As at 31 December 2019, the balance of the long-term bonds of the Group (including the portion due within one year) amounted to RMB32.926 billion, representing a net decrease of RMB965 million or 2.8% as compared to RMB33.891 billion as at 31 December 2018.

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

As at 31 December 2019, the net provision for close-down, restoration and environmental costs of the Group amounted to RMB3.247 billion, representing a net increase of RMB1.797 billion or 123.9% as compared to RMB1.450 billion as at 31 December 2018, which was mainly due to the fact that the Group's coal producers made provision for mine geological environment governance and restoration fund in accordance with relevant policies issued by the state, resulting in a corresponding increase in provision for close down, restoration and environmental costs.

(13) Other long-term liabilities

As at 31 December 2019, the other net long-term liabilities of the Group amounted to RMB4.002 billion, representing a net increase of RMB1.518 billion or 61.1% as compared to RMB2.484 billion as at 31 December 2018, which was mainly because the mining rights are added to the proceeds from transfer of mining rights payable by the Group's coal producers in accordance with China's relevant policy, and the Group classified part of the discounted income with payment period of over one year as other long-term liabilities.

VI. Equity

As at 31 December 2019, the equity of the Group was RMB117.221 billion, representing an increase of RMB6.721 billion or 6.1% from RMB110.50 billion as at 31 December 2018, among which, the equity attributable to the equity holders of the Company was RMB97.019 billion, representing an increase of RMB5.068 billion or 5.5% from RMB91.951 billion as at 31 December 2018. The items under the equity subject to significant change are analyzed as below:

(1) Reserves

As at 31 December 2019, the reserve of the Group was RMB47.083 billion, representing an increase of RMB778 million or 1.7% from RMB46.305 billion as at 31 December 2018, which was mainly because the Group made provision for the special fund and utilized the special fund as planned during the year, and the balance thereof resulted in the increase of RMB568 million in reserves and the increase of RMB428 million in appropriation to surplus reserve and the reserve for general risk.

(2) Retained earnings

As at 31 December 2019, the retained earnings of the Group was RMB36.678 billion, representing an increase of RMB4.290 billion or 13.2% from RMB32.388 billion as at 31 December 2018, which was mainly because of the Group's profit attributable to the equity holders of the Company for the year of RMB6.197 billion, the decrease of RMB1.034 billion for distribution of dividends in 2018, the decrease of RMB568 million for adjusted unutilized special fund provided by the Group for the year, and the decrease of RMB428 million for appropriation to surplus reserve and the reserve for general risk.

VII. Significant Charge of Assets

The Group did not have significant charge of assets during the reporting period. As at 31 December 2019, the book value of the Group's charge of assets amounted to RMB2.257 billion, of which the book value of pledged assets was RMB456 million and the book value of mortgaged assets was RMB1.801 billion.

VIII. Significant Investment

Save as disclosed in this announcement, the Group had no significant investment during the reporting period.

IX. Material Acquisitions and Disposals

Save as disclosed in this announcement, the Group did not have material acquisitions and disposals in relation to subsidiaries, associates and joint ventures during the reporting period.

X. Issuance of Debt Securities and Debt Financing Instruments and Principal and Interest Payment Thereof

The goal of registration and issuance of debt securities by the Group is to replenish the working capital of the Group and adjust the debt structure. During the reporting period, the Company issued medium-term notes of RMB5.0 billion.

As of 31 December 2019, the Group has paid the principal and interest of all of its debt securities and other financing instruments in issue by the agreed time. No default or delayed payment of principal and interest has occurred.

XI. Operational Risks

(1) Risks of Fluctuation in Macro Economy

The coal industry is a fundamental sector of the Chinese economy, which is closely linked to the macro economy and significantly affected by other relevant industries including electricity, metallurgy, construction materials and chemical industry. Currently, owing to the complicated and harsh circumstances of the world economy, there are still many unstable factors affecting the macro economy, which may have certain impacts on the operating results of the Company. In addition, changes in the national industrial policies, adjustment to the environmental protection criteria, public health emergencies and other factors may also affect the production and operation of the Company. The Company will adhere to its strategic goals of continuing to optimise its industrial layout and expediting the industry structure adjustments by executing strict budget planning, strengthening regular monitoring and analysis, and enhancing risk management so as to strive to achieve stable and orderly production and operation.

(2) Risks of Fluctuation in Product Prices

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

(3) Risks of Safe Production

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

(4) Risks of Project Investment

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

(5) Risks of Environmental Protection

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

(6) Risks of Rising Costs

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

(7) Risks of Foreign Exchange

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

XII. Contingent Liabilities

(1) Bank guarantees

As at 31 December 2019, the Group provided guarantees of RMB17.278 billion in total, of which guarantees of RMB13.108 billion were provided to the equity investment entities in proportion to the Group's shareholdings.

(2) Environmental protection responsibilities

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

(3) Contingent legal liabilities

For the year ended 31 December 2019, the Group was not involved in any material litigation or arbitration, and to the knowledge of the Group, there was no material litigation or arbitration pending or threatened against or involving the Group.

BUSINESS PERFORMANCE

I. Principal Business Operations of The Company in 2019

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

(1) Coal Operations

1. Coal production

In 2019, under the complex and changeable domestic and overseas situations, the economic operations in China maintained a generally stable trend while making progress due to the continuous implementation of supply-side structural reform. By actively overcoming adverse factors, optimizing production continuity, fully releasing advanced production capacity, coal production enterprises made new breakthroughs in terms of coal output. Benefiting from the comprehensive optimization of the mining, transportation and discharging system, the increasing stripping efforts in open-cast coal mines, and the continuous optimization of the product structure, the coal output of Pingshuo Group steadily increased. By actively responding to issues such as the increasing difficulties of production organization and worsening geological conditions, and striving to strengthen system optimization, the coal output of Shanghai Energy Company generally remained stable. Through optimizing production layout and giving full play to effective production capacity, China Coal Huajin Company significantly improved its operating quality. By continuously strengthening production organization, striving to improve production efficiency, and giving play to advanced production capacity, Northwest Energy Company strived to achieve its production goal and take effect. During the reporting period, commercial coal output of the Company amounted to 101.84 million tonnes, of which thermal coal output was 91.45 million tonnes and coking coal output was 10.39 million tonnes.

Adhering to the concept of safety development, the Company strived to promote system optimization, equipment upgrading, quality improvement and management improvement, comprehensively improved safety assurance capabilities, effectively prevented and resolved major safety risks. As a result, the Company realized favorable results in safety production, achieved in general safety production and the zero mortality rate of per million tonnes in coal mines.

Adhering to the development direction of "safety, efficiency, green development, and intelligent production", the Company vigorously increased the research and development efforts, strived to break through key core technologies, continuously enhanced innovation capacity building, and promoted high-quality development of enterprises. Driving the improvement of the quality and efficiency of coal production with technology innovation, the Company has achieved the close integration of technology and production through the intelligentization of mining technology and innovation research and development of equipments. During the reporting period, raw coal productivity of the Company was 34.9 tonnes per worker-shift, maintaining a leading level in the coal industry.

2. *Coal sales*

In 2019, the Company adopted several measures to further consolidate the results of marketing reconstruction, including optimizing the nationwide network layout, broadening resource channels, increasing market share, promoting production and sales coordination, strengthening marketing supervision, innovating marketing models, and vigorously enhancing China Coal Energy's brand advantages, market power and influence, which resulted in a historical height in coal sales. The cumulative sales volume of commercial coal for the year was 231.28 million tonnes, representing a year-on-year increase of 38.6%.

Closely focusing on the requirements of multi-platform construction and high-quality development, the purchased coal business of the Company concentrated on "broadening channels, enlarging scale, improving quality and ensuring compliance", strived to optimize connections and standardize operations, took efforts to make the northern port purchasing platform larger and stronger, continuously promoted the construction of metallurgical coal purchasing platforms, imported coal purchasing platforms, direct purchasing, source purchasing and riverside purchasing platforms, deepened supply-demand cooperation, cultivated high-quality suppliers, and consolidated the trade coal scale foundation of hundreds of million tonnes. During the whole year, the sales volume of proprietary coal trading reached 121.27 million tonnes, representing a year-on-year increase of 45.1%.

Unit: 10 thousand tonnes

Sales volume of commercial coal		**2019**	2018	Change (%)
(I)	Domestic sales of self-produced coal	**10,176**	7,661	32.8
	By region: North China	**2,839**	2,119	34.0
	East China	**3,856**	3,407	13.2
	South China	**1,011**	926	9.2
	Others	**2,470**	1,209	104.3
	By coal type: Thermal coal	**9,143**	6,786	34.7
	Coking coal	**1,033**	875	18.1
(II)	Self-produced coal export	**19**	6	216.7
	By region: Taiwan, China	**19**	6	216.7
	By coal type: Thermal coal	**19**	6	216.7
(III)	Proprietary trading	**12,127**	8,360	45.1
	Of which: Domestic resale	**11,984**	8,305	44.3
	Self-operated exports	**35**	27	29.6
	Import trading	**108**	28	285.7
	Transit trading	**–**	–	–
(IV)	Agency sales	**806**	658	22.5
	Of which: Import agency	**139**	40	247.5
	Export agency	**156**	238	-34.5
	Domestic agency	**511**	380	34.5
Total		**23,128**	16,685	38.6

3. Coal Reserve

Unit: 100 million tonnes

Major mining areas	Resource reserve	Recoverable reserve
Shanxi	75.9	40.76
Inner Mongolia-Shaanxi	140.5	89.36
Jiangsu	7.36	2.61
Xinjiang	6.56	3.86
Heilongjiang	3.09	1.36
Total	233.41	137.95

Coal type	Resource reserve	Recoverable reserve
Thermal coal	195.49	119.8
Coking coal	34.72	16.31
Anthractie	3.2	1.84
Total	233.41	137.95

During the year, the Company verified to decrease the resource reserve by 147 million tonnes (several coal mines have been reassessed regarding to mineral resources and reserves) and utilised 160 million tonnes of resource reserve. As at the end of 2019, the Company had coal resource reserve of 23.341 billion tonnes with mining rights and recoverable reserve of 13.795 billion tonnes in accordance with the mining standards of the PRC.

(2) Coal Chemical Operations

In view of the challenging safe production conditions regarding to coal chemicals across the country, the Company closely focused on the investigation and treatment of hidden hazards, strengthened safety risk control, increased inspecting and equipment-monitoring efforts, comprehensively promoted the process safety management measures, and consolidated the foundation for safe production. Moreover, the Company continued to maintain the stable operation of equipment production, benchmarked the advanced level of the industry, and strived to increase the output and comprehensive benefits of coal chemical products, which effectively ensured the achievement of the production targets in coal chemicals segment.

Facing the continued downward market pressure, the Company paid close attention to market changes, endeavored to explore new marketing models, optimized the market layout, accurately kept pace with sales, strengthened the connection of production, transportation and sales, and continuously increased market share and enhanced the brand influence of China Coal Energy. Meanwhile, the Company further improved the logistics system layout, strengthened refined logistics management, continuously enhanced cost control, and improved cargo delivery capabilities. The Company expanded the scale of internal procurement and supply of methanol products, continuously reduced the cost of polyolefin products, and enhanced the profitability by taking full advantage of the location coordination of affiliated enterprises and the synergy effect of industry value chains. During the year, the accumulated sales volume of polyolefin, urea and methanol amounted to 1.450 million tonnes, 2.291 million tonnes and 958,000 tonnes, respectively.

Unit: 10 thousand tonnes

Production and sales volume of self-produced coal chemical products	**2019**	2018	Change (%)
(I) Polyolefin			
1. Polyethylene: Production volume	**74.5**	74.1	0.5
Sales volume	**75.2**	74.4	1.1
2. Polypropylene: Production volume	**70.8**	71.9	-1.5
Sales volume	**69.8**	72.3	-3.5
(II) Urea			
1. Production volume	**199.1**	185.6	7.3
2. Sales volume	**229.1**	192.9	18.8
(III) Methanol			
1. Production volume	**94.6**	72.2	31.0
2. Sales volume	**95.8**	71.9	33.2

Notes: The methanol sales volume of the Company includes internal consumption volume.

(3) Coal Mining Equipment Operations

The Company tightly grasped market opportunities and the opportunities brought by the national policy of "going out", adhered to the marketing strategy of equal importance of coal machine business and non-coal machine business, and focusing on accessories and services. The Company paid close attention to key users, key projects and major needs, grabbed effective contracts through various measures such as market expansion, service transformation, and innovation-driven development. The cumulative contracted amount for 2019 increased by 14.8% year-on-year. The Company actively promoted technological innovation, continuously strengthened the integration of technological innovation and the physical industry, and focused on intelligent logistics technology equipment, environment-friendly clean technology equipment, new energy technology equipment, and tourism health industry technology equipment to cultivate new momentum for growth. The revenue from accessories and non-coal business accounted for 38.8%. The Company further optimized the production organization, innovated production management, sped up the production pace, so as to achieve short cycle and rapid output, effectively releasing production capacity, and meeting users' needs with every effort. The cumulative output value of coal mining equipment for the year amounted to RMB8.15 billion, representing a year-on-year increase of 17.3%.

Unit: RMB100 million

Coal mining equipment	Production value 2019	2018	Change (%)	Sales revenue 2019	Percentage of sales revenue of the coal mining equipment segment (%)
Main conveyor products	**34.9**	32.5	7.4	**34.5**	41.7
Main support products	**28.5**	22.8	25.0	**27.3**	33.0
Others	**18.1**	14.2	27.5	**20.9**	25.3
Total	**81.5**	69.5	17.3	**82.7**	–

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

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

(4) Financial Service Operations

Building on its own business development and the whole industry value chain for coal business, the Company proactively leveraged on the specialized functions of financial services, value creation and risk management of Finance Company, so as to push forward development of the Company with high quality. The Company gave full play to the efficiency and effectiveness of intensive capital, strengthened the intensive cultivation of interbank deposits, closely tracked, timely and accurately researched and judged interest rate trend of the market, and dynamically optimized and adjusted the interbank deposit allocation strategy in a timely manner. During the reporting period, the Company recorded an interest income from interbank deposits of RMB600 million, representing a year-on-year increase of 28.3%. At the end of the reporting period, the Company recorded an interbank deposit placed in commercial banks of RMB16.94 billion. Finance Company continuously dig deep into the Company's internal financial requirements, kept innovating digital financial platform functions and financial service means in order to improve its financial service capability. During the reporting period, more than 1,300 bills were discounted, with a discount amount of RMB6.36 billion. At the end of the reporting period, deposits absorbed amounted to RMB28.58 billion and the self-operated loans amounted to RMB13.15 billion, all hitting the highest level in history over the same period.

Unit: RMB100 million

Financial operations	2019	2018	Change (%)
Scale of deposits absorbed	**285.8**	243.3	17.5
Placement of interbank deposits	**169.4**	157.9	7.3
Scale of self-operated loans	**131.5**	108.0	21.8

(5) Synergy among Business Segments

The Company fully capitalised on the advantages of industry value chains, stabilised its traditional principal business, optimised the layout of industry structure, and promoted the transformation and upgrade of enterprises to continuously enhance synergetic development among the business segments. During the reporting period, the power plants and chemical enterprises of the Company jointly promoted clean utilisation and conversion of coal, and consumed 6.61 million tonnes of self-produced low calorific value 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 3.35 million tonnes of coal from surrounding coal mines. The coal mining equipment business segment achieved internal product sales and services revenue of RMB1.2 billion, representing 14.5% of the total sales revenue of the segment.

II. Analysis of Core Competitiveness

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

The principal coal business of the Company has distinctive scale advantages with its leading technologies and techniques in coal mining, washing, preparation and blending in the industry. The production costs of the coal mines are lower than most of the coal enterprises in China. The Company boasts abundant coal resources. Mining Areas in Pingshuo, Shanxi and Hujierte, Ordos of Inner Mongolia, primarily developed by the Company, are the important thermal coal production bases in the PRC. Xiangning Mining Area in Shanxi where Wangjialing Coal Mine located is the production base of coking coal of high quality with low sulphur and extra low phosphorus content in the PRC. Jincheng Mining Area in Shanxi where Libi Coal Mine located is the production base of coking coal of high-quality anthracite in the PRC. The Company's coal key construction projects have achieved progress smoothly. Muduchaideng Coal Mine and Nalin River No.2 Coal Mine have been put into operation, and Xiaohuigou Coal Mine and No.106 Coal Mine have been completed and delivered after inspection. Other projects such as Dahaize Coal Mine and Libi Coal Mine all progress steadily and orderly. It is the professional and sophisticated management mode, the capable and efficient production mode, the scale merit of cluster development, the high quality and abundant coal resources and coordinated development of the industrial chain that constitute the core competitive advantages of the Company.

The Company focuses on coal power generation and coal chemical to continuously promote industrial structure optimisation, and strives to establish a new circular economic business line for coal, power, chemical, etc. In terms of coal chemical business, the Company's coal-based olefin project constructed in Shaanxi, coal-based fertiliser project and coal-based engineering plastics project constructed in Inner Mongolia have maintained the operating situation of "work safety, stable production, long period operation, fully-loaded operation and producing quality products" for years, and the indicator of unit consumption and a number of other indicators are at the forefront of the industry; Project of Annual Methanol Output of 1 Million Tonnes from Synthetic Gas located in Inner Mongolia is progressing steadily, which will supply methanol for the engineering plastics project in Inner Mongolia after completion, further perfecting the regional industrial chain. In terms of coal-power business, the Company is vigorously pushing forward low calorific value coal and pit-mouth power generation projects. The 2×350MW thermal power project in Shanghai Energy Company and the Project of the Second Power Plant 2×660MW located in the north of Wucai Bay, Zhundong, Xinjiang have been formally combined to the grid.

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 of the PRC. Capitalising on its own marketing network of coal sales and logistics system, well-established port service and high-calibre professional teams, the Company is able to provide customers with high quality services with excellent capabilities for market exploration and distribution.

The Company is the national and even the world's only large-scale energy enterprise, which is able to engage in manufacturing coal mining equipment, coal mining, washing, preparation and processing, logistics and transportation as well as provision of systematic solution, with the advantages of the whole industry value chain for coal business.

The Company insisted on innovation-driven growth and became the leader of the industry. The Company established equipment research institutes, constructed gas treatment centres as well as rock burst prevention and water control research centres in its mining areas, and witnessed a significant boost to its technology R&D capabilities. As a result, the Company has made major breakthroughs in a series of key technologies, achieved success in green coal mining, intelligent development and low-cost mining. The Company steadily advanced the development of new coal chemical products and established a solid foundation for enterprises to reduce their energy consumption and expand their market. The Company also aimed at smart, high-end and coal-free development for coal machinery equipment, meeting market demands as well as development needs of corporate transformation, and dramatically enhancing its corporate core competitiveness.

The Company adheres to the cultural concept of "harmony", continuously improves its enterprise management system and keeps providing an institutional environment for development and growth. The Company has established a sound corporate management system and is gradually improving its internal control and 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 procurement and enhances management by objectives and comprehensive budget management, significantly lowers the costs and increases the productivity and operating efficiency. By being committed to building the "harmony" cultural concept, creating "harmony" cultural atmosphere and promoting construction of the "harmony" culture of "respect and inclusion, trust and support, united minds and actions, harmonious development", the Company has established a good corporate image and concentrated cohesive staff.

In recent years, the Company has adhered to the existing strategy and firmed the confidence of development, and its principal coal business has achieved scale development. The Company has expedited the extension of coal business to coal chemical and coal power generation areas, and has enhanced value-added capabilities of the overall industry value chain. The Company has promoted a shift of development model from a scale and speed-oriented extensive growth model to a quality and efficiency-focused intensive model, thus continuously improving its core competitiveness. 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 promoting high-quality development of the Company.

III. Competitive Landscape in the Industry

In recent years, with the deepening of supply-side structural reform for coal, the rapid release of high-quality coal production capacity, the continuous improvement of production capacity and the slowdown in the growth trend of coal demand, the coal supply and demand situation will comprehensively become periodical loose, and competition in the coal market will become fiercer.

From the perspective of policy environment, China successively issued various documents on the coal industry with clear policy-oriented and promoted comprehensively the construction of the system for coal production, transportation, sales and storage, which led to coal prices maintain stable and fluctuate within a reasonable range in the long run. From the perspective of coal enterprises, a better understanding on the supply-side structural reform has been obtained. With the orderly advancement of capacity replacement, reduction and restructuring, coal enterprises have been strengthening their efforts on reform and renovation transformation and upgrading. The resources of the coal industry are expected to accumulate to 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 scale 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 layout has been optimised continuously. In addition, the profitability has increased steadily and the management and control level of the coal chemical operations has reached a new level. In 2019, the Company organised production scientifically, explored the market actively, tapped potential and improved efficiency vigorously. The operational quality was enhanced gradually and the total profit increased significantly. By leveraging on its own advantages, the Company will firmly advance structure adjustment and transformation and upgrading, so as to become a world first-class leading clean energy supplier and integrated energy service provider with global competitiveness.

IV. Industry Development Trends of the Business of the Company

2020 is the ending year of the "13th Five-Year Plan". China now is in the tackling phase of transforming development patterns, optimizing economic structure, and transforming growth power. Structural, institutional, and cyclical issues are intertwined, and economic downward pressure is increasing. However, coal is still the main energy source of China, while economic growth will still drive the demand for coal. With adjustment of China's energy structure and the gradually emerging effects of long-term agreed pricing mechanism in the industry, coal prices are not expected to fluctuate significantly.

Improving the quality of the supply system is the fundamental guiding ideology for the future development of the coal industry. According to statistics of the China National Coal Association, the number of coal mines in China has been reduced from 10,800 in early 2015 to around 5,700 at present. Over the past three years, the accumulated de-capacity of coal has reached more than 800 million tonnes. With the full completion of the de-capacity of coal task, the quality of the domestic coal supply system is expected to be further optimized.

With the rapid release of high-quality coal production capacity, the modest expansion of railway transportation capacity, and the slowdown in the growth of coal demand, the domestic coal supply and demand situation will shift from a general balance to a periodical loose in 2020. Coal consumption still accounts for a large proportion of China's total energy consumption, and coal will continue to play a dominant role during a pretty long period. However, with the continuous strengthening of double energy control, constant decreasing of domestic energy consumption, further optimization of energy consumption structure, stricter constraints on ecological and environmental protection and continuous improvement of social energy conservation, the growth of coal consumption demand will likely slow down gradually in the future. The long-term development of the coal industry will depend on improving the quality of production capacity and achieving transformation and upgrading.

The new coal chemical industry closely related to the coal industry has a bright development prospect. China continues to strengthen safety supervision and environment protection monitoring, the industrial layout is optimizing continuously and the domestic urea is facing a new round of de-capacity and production limit policies for environment protection purpose, which will lead to the domestic supply and demand of ureain a tight balance in 2020, and will continuously push forward the supply-side reform of chemical fertilisers and traditional chemical industries, imposing a positive impact on the prices of products such as chemical fertilisers. As the production capacity of polyolefins continues to increase and the demand growth slows down, competition in general products industry becomes more intensive, but high-end products and customized products still have a lot of room for development, which can stabilize the price of polyolefins.

V. Production and Operation Plans of the Company in 2020

In 2019, the Company firmly focused on the annual production and operation targets, scientifically organised production, strengthened the coordination between production and sales, optimised product structure, enhanced product quality, strived to improve quality and efficiency, and recorded good operation results. The Company overcame difficulties, such as difficult organisation of coal production and coal chemical shutdown for overhaul, overcame challenges of restricted output for environment protection purpose, surpassed its annual production targets and completed its operation plans ahead of schedule, with a commercial coal output of 101.84 million tonnes; sales volume of self-produced commercial coal of 101.95 million tonnes; polyolefin output of 1.453 million tonnes and polyolefin sales volume of 1.450 million tonnes; urea output of 1.991 million tonnes and urea sales volume of 2.291 million tonnes. The Company recorded an operating revenue of RMB129.3 billion, representing a year-on-year increase of 24.2%. The unit cost of sales of self-produced commercial coal amounted to RMB333.03/tonne, representing a year-on-year increase of RMB8.58/tonne. The profit before income tax reached RMB13.02 billion, representing a year-on-year increase of 31.2%.

In 2020, supply-side structural reform remains the Company's centerpiece. In accordance with the requirements for high-quality development and following the work ideas of "improvement amid stability with reform and innovation", the Company will aim to make coordinated efforts to ensure security, stabilize growth, adjust structure, promote reform, stimulate innovation, improve efficiency and prevent risks. On the premise that there will be no material changes to the markets, the annual production and sales volumes of self-produced commercial coal, polyolefin products and urea are planned to be more than 96.00 million tonnes, more than 1.36 million tonnes and more than 1.85 million tonnes, respectively; with an aim to achieving overall stability of the operating revenue, the Company will continue to increase efforts to reduce costs and increase efficiency, and control the unit selling cost of self-produced commercial coal. In addition, the Company will exercise strict control on expenses and strived to maintain good profitability. The Company will focus on the following tasks:

Firstly, the Company will scientifically organise coal production to ensure high yields and efficiency. Moreover, the Company will enhance the management of the coal chemical operations, striving to achieve safe and stable operation. The Company will further consolidate the reconstructing achievements of marketing system, spare no effort to explore market demands to stabilise market base, in a bid to promote corporate capabilities in creating income and benefits.

Secondly, the Company will stick to the safety red line, allocate and implement the work safety responsibility, improve the safety guarantee capability, stress on-site safety management, and highlight safety control focuses in order to comprehensively improve the safety quality and resolutely ensure work safety.

Thirdly, the Company will continue to strengthen refined management, vigorously reduce cost and improve efficiency and quality, strictly focus on cost control, and comprehensively promote operational quality.

Fourthly, the Company will strive to accelerate preliminary work of projects and firmly advance construction of key projects. Building on the advantages of industrial synergy and professional management, the Company will continue to promote structural adjustment, transformation and upgrading.

Fifthly, the Company will comprehensively deepen reforms of the enterprise, do a solid job in the Three System Reforms in labor, personnel and distribution, improve positive incentive system creatively, and encourage the enterprise to reform endogenous power. The Company will optimise the management and control mode and organisation structure, and set up a more market-oriented mechanism to increase the developing vitality of the enterprise.

Sixthly, the Company will focus on strengthening the development of innovation capacity, enhance innovation in technology, mechanism, management and commercial mode, and drive industrial adjustment, transformation and upgrading to enhance enterprise development momentum.

Seventhly, the Company will deepen the implementation of the Strategy of Developing Enterprise by Talent Management to optimise the structure of talent team, improve the employee quality, and refine the incentive mechanism to vigorously create a good growth environment for talents and provide talent assurance for the development of the Company.

Eighthly, the Company will continue to enhance foreign investment management, optimise management system, intensify supervision and focus on enhancing value management standard to strive to improve the enterprise economic benefit.

Ninthly, the Company will adhere to the problem-oriented, target-oriented and result-oriented strategy, and will actively response to economic downward pressure and effectively defuse market risks. The Company will strengthen all work related to ecological environmental protection, resolutely win the battle against pollution prevention, manage and control environmental protection risk effectively, and strive to forestall and defuse other major risks to ensure the stable and healthy development of the Company.

Given the current increasing economic downward pressure, the uncertainty and the existence of unstable factors in production and market of coal and coal chemical industry, 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 to results to investors by the Company. Investors should be informed and aware of risks in this connection.

SIGNIFICANT EVENTS

(1) Share Capital Structure

As of 31 December 2019, the structure of the share capital of the Company was as follows:

Unit: Share(s)

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 2018

The Company's 2018 profit distribution plan was considered and approved at the Company's 2018 annual general meeting held on 28 June 2019. Cash dividends of RMB1,030,373,400 were distributed to the Shareholders, representing 30% of the net profit attributable to the equity holders of the Company which was RMB3,434,578,000 for the year of 2018 as set out in the consolidated financial statements of 2018 prepared in accordance with the Chinese accounting standards for business enterprises. Based on the total issued share capital of 13,258,663,400 shares of the Company, RMB0.078 (inclusive of tax) would be distributed per share.

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

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

The Articles of Association and the Rules of Procedures of the Board were not amended during the year.

(4) Transaction of Assets

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

(5) Other Significant Events

1. Matters in relation to the general mandate to issue debt financing instruments granted to the Company

On 28 June 2019, the 2018 annual general meeting of the Company considered and approved the Proposal on Continuing to Grant to the Company the General Mandate to Issue Debt Financing Instruments, pursuant to which the Board of Directors was generally and unconditionally authorized, who would in turn further authorize the management of the Company, with full power and authority to deal with the matters in relation to the issuance of domestic and/or overseas debt financing instruments of no more than RMB40 billion within the effective period of the resolution and in accordance with the specific needs of the Company and other conditions of the capital market.

For details, please refer to the announcements of the Company published on the websites of the SSE, the HKSE and the Company on 15 March 2019, 29 April 2019, 20 May 2019 and 28 June 2019.

(6) Events after Reporting Period

1. Registration and Issue of Corporate Bonds

The Company successfully registered corporate bonds of RMB10 billion on 10 March 2020 (for professional investors), and completed the public issuance of the 2020 first tranche corporate bonds (for professional investors) on 18 March 2020, of which the issue amount is RMB3 billion with a term of five years and an interest rate of 3.60%.

2. Registration of Medium-Term Notes

The company successfully registered medium-term note of RMB5 billion on 16 March 2020.

EMPLOYEE

As at 31 December 2019, the total number of employees in the Group is 42,112 (2018: 42,194).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company is committed to improving its corporate governance level. For the year ended 31 December 2019, the Company strictly complied with the provisions of Corporate Governance Code and Corporate Governance Report set out in appendix 14 to the Hong Kong Listing Rules.

AUDIT AND RISK MANAGEMENT COMMITTEE

The audit and risk management committee of the Company has reviewed the annual results for the year ended 31 December 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2019, the Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in appendix 10 to the Hong Kong Listing Rules ("**Model Code**"). The Company confirmed after careful inquiry that all Directors and supervisors had been complying with the Model Code during the year ended 31 December 2019.

REMUNERATION OF DIRECTORS AND SUPERVISORS

For the year ended 31 December 2019, no Directors or supervisors of the Company had agreed to waive any remuneration.

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

DIVIDENDS

On 20 March 2020, pursuant to the relevant PRC laws and regulations, the Board recommended the payment of cash dividends of RMB1,687,931,100 to the Shareholders, representing 30% of the net profit attributable to the Shareholders for the year ended 31 December 2019, which was RMB5,626,437,000 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 total issued share capital of 13,258,663,400 shares, representing a dividend of RMB0.127 per share (tax inclusive). The above proposed profit distribution plan is subject to the approval of Shareholders at the 2019 annual general meeting. Cash dividends will be distributed to 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. If an Individual H Shareholder considers that his/her individual income tax withheld by the Company does not comply with the tax rate stipulated in the tax treaties between country(ies) or region(s) in which he/she is domiciled and the PRC, he/she should engage or mandate agency after receiving the dividends according to requirements set out in tax treaties notice,register with the competent tax authority for subsequent taxation handling.

Pursuant to the "Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets" (Cai Shui [2014] No.81) and the "Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets" (Cai Shui [2016] No.127) jointly promulgated by the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission, for dividends derived by Mainland individual investors from investing in H-share listed on the Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect, the Company shall withhold individual income tax at a tax rate of 20% for the investors. For Mainland securities investment funds investing in shares listed on Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect, individual income tax shall be levied on dividends derived therefrom in accordance with the above rules. Dividends derived by Mainland enterprise investors from investing in shares listed on Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect shall be reported and paid by the enterprise investors themselves. The Company will not withhold or pay enterprise income tax on their behalf in the distribution of dividends.

The Company will have no liability in respect of any claims arising from any delay in, or inaccurate determination of the status of the Shareholders or any disputes over the mechanism of withholding.

An announcement containing information in relation to the latest registration date and the period of closure of share register for attending the 2019 annual general meeting of the Company (expected to be held before 30 June 2020) for receiving the final dividend for the year ended 31 December 2019, as well as the dividend distribution date (expected before 31 August 2020) will be published separately when the date of the 2019 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 2019, which, among other things, will set out the record date and ex-rights date of dividend distribution for A Shares.

As of 31 December 2019, no arrangement was reached pursuant to which the Shareholders waived or agreed to waive their dividends.

PURCHASE, SALE OR REPURCHASE OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2019, the Company and its subsidiaries had not purchased, sold or repurchased any listed securities of the Company.

AUDITORS

On 28 June 2019, the annual general meeting of the Company for 2018 approved the engagement of Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the auditors for interim financial report review, annual financial report audit and internal control audit of financial report of the Company under PRC GAAP and IFRS for 2019. Deloitte Touche Tohmatsu has audited the financial statements of the Company prepared in accordance with the IFRS with unqualified opinions.

RELEASE OF ANNUAL REPORT ON HKEX WEBSITE

According to the provisions of the Hong Kong Listing Rules on the reporting period, the Annual Report for 2019 will include all the information disclosed in the Result Announcement for 2019, and will be disclosed on the websites of the Company and HKEX on or prior to 30 April 2020.

DEFINITIONS

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

Company/China Coal Energy/ the Group/the Company	China Coal Energy Company Limited, unless otherwise indicated, also includes all of its subsidiaries
Board of the Company/Board	the board of directors of China Coal Energy Company Limited
Director(s)	the Director(s) of the Company, including all the executive directors, non-executive directors and independent non-executive directors
Supervisor(s)	the supervisor(s) of the Company
China Coal Group	China National Coal Group Corporation, the controlling shareholder of the Company
Shanghai Energy Company	Shanghai Datun Energy Resources Company Limited
Pingshuo Mining Area	the coal mining area in Shanxi Province, mainly comprising the Antaibao Open Pit Mine and Underground Mine, the Anjialing Open Pit Mine and Underground Mine and Pingshuo East Open Pit Mine
Nalin River No.2 Coal Mine	Nalin River No.2 Coal Mine Project of Wushenqi Mengda Mining Company Limited
Muduchaideng Coal Mine	Muduchaideng Coal Mine Project of ordos Yihua Mining Resources Company Limited
Dahaize Coal Mine	Dahaize Coal Mine Project of China Coal Shaanxi Yulin Energy & Chemical Company Limited
Xiaohuigou Coal Mine	Xiaohuigou Coal Mine Project of Shanxi Xiaohuigou Coal Industry Company Limited
Wangjialing Coal Mine	Wangjialing Coal Mine Project of China Coal Huajin Energy Group Limited
Libi Coal Mine	Libi Coal Mine of China Coal Huajin Group Jincheng Energy Company Limited

106 Coal Mine	106 Coal Mine of China Coal Energy Xinjiang Tianshan Coal Electricity Company Limited
Technological Transformation Project of Annual Methanol Output of 1 Million Tonnes from Synthetic Gas	the technological transformation project of annual methanol output of 1 million tonnes from synthetic gas of China Coal Ordos Energy Chemical Company Limited
Pingshuo Group	China Coal Pingshuo Group Company Limited
China Coal Shaanxi Company	China Coal Shaanxi Yulin Energy & Chemical Company Limited
China Coal Huajin Company	China Coal Huajin Energy Group Limited
Northwest Energy Company	China Coal Northwest Energy Company Limited
Mengda Mining Company	Wushenqi Mengda Mining Company Limited
Finance Company	China Coal Finance Co., Ltd.
Xiaohuigou Coal Company	Shanxi Xiaohuigou Coal Company Limited
Ordos Energy Chemical Company	China Coal Ordos Energy Chemical Company Limited
Mengda Chemical Company	Inner Mongolia China Coal Mengda New Energy & Chemical Company Limited
China Coal 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
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

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

Beijing, the PRC, 20 March 2020

As at the date of this announcement, the executive directors of the Company are Li Yanjiang and Peng Yi; the non-executive directors of the Company are Du Ji'an, Zhao Rongzhe and Xu Qian; and the independent non-executive directors of the Company are Zhang Ke, Zhang Chengjie, and Leung Chong Shun.

* *For identification purpose only*