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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)

FIRST QUARTERLY REPORT 2018

Pursuant to the regulations and rules of China Securities Regulatory Commission and Shanghai Stock Exchange (the “SSE”), China Coal Energy Company Limited (the “**Company**” or “**China Coal Energy**”, together with its subsidiaries, collectively the “**Group**”) is required to publish reports on a quarterly basis.

This announcement is made pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This announcement is a summary of the 2018 first quarterly financial report of the Company for the three months ended 31 March 2018. The full text of the quarterly financial report will be available on the website of The Stock Exchange of Hong Kong Limited (the “**HKSE**”) on 27 April 2018. The full text of the quarterly financial report is in Chinese only.

I. IMPORTANT NOTICE

- 1.1 The board of directors and the supervisory committee of the Company together with the directors, supervisors and the senior management thereof guarantee that the content of this quarterly report is true, accurate and complete and does not contain any false representations, misleading statements or material omissions, and severally and jointly accept legal responsibility for the content of this report.
- 1.2 All directors of the Company attended the meeting of the board of directors in relation to the consideration of the quarterly report.
- 1.3 Li Yanjiang (the person-in-charge of the Company), Chai Qiaolin (the person-in-charge of accounting affairs) and Chai Qiaolin (the person responsible for the accounting department, i.e. head of the accounting department) guarantee that the financial statements set out in this quarterly report are true, accurate and complete.
- 1.4 The first quarterly report of the Company is unaudited.

II. GENERAL INFORMATION OF THE COMPANY

2.1 Major financial data

Unit: RMB'000

	As at the end of the reporting period	As at the end of the previous year	Increase/decrease at the end of the reporting period as compared to the end of the previous year (%)
Total assets	249,427,666	248,838,946	0.2
Net assets attributable to shareholders of the listed company	90,764,109	89,011,747	2.0
	From the beginning of the year to the end of the reporting period	From the beginning of the previous year to the end of the corresponding period of the previous year	Increase/decrease compared to the corresponding period of the previous year (%)
Net cash flows generated from operating activities	820,793	2,240,172	-63.4
	From the beginning of the year to the end of the reporting period	From the beginning of the previous year to the end of the corresponding period of the previous year	Increase/decrease compared to the corresponding period of the previous year (%)
Operational revenue	25,764,695	17,864,765	44.2
Net profit attributable to shareholders of the listed company	1,410,828	1,170,967	20.5
Net profit attributable to shareholders of the listed company net of non-recurring gains or losses	1,386,999	1,093,890	26.8
Weighted average return on net assets (%)	1.57	1.35	Increased by 0.22 percentage points
Basic earnings per share (RMB per share)	0.11	0.088	25.0
Diluted earnings per share (RMB per share)	-	-	-

Non-recurring gains or losses and relevant amounts

√ Applicable □ Not applicable

Unit: RMB'000

Item	Amount for the reporting period	Explanations
Government grants included in profit or loss for the reporting period, excluding those closely related to the Company's ordinary business and granted on an on-going basis in fixed amount or volume according to certain principles under national policies	34,266	—
Gains or losses from external entrusted loans	4,047	—
Other non-operating income and expenses apart from the foregoing	-7,818	—
Impact on minority shareholders' interests (after tax)	-2,213	—
Effect of income tax	-4,453	—
Total	23,829	—

2.2 Major production and operational data

Unit: RMB

Item	Unit	January to March, 2018	January to March, 2017	Percentage change %
I. Coal operations				
1. Production volume of commercial coal	10,000 tonnes	1,781	1,926	-7.5
Of which: Thermal coal	10,000 tonnes	1,558	1,641	-5.1
Coking coal	10,000 tonnes	223	285	-21.8
2. Sales volume of commercial coal	10,000 tonnes	3,594	2,787	29.0
Of which: Sales volume of self-produced coal	10,000 tonnes	1,631	1,879	-13.2
II. Coal chemical operations				
(I) Polyolefin				
1. Polyethylene production	10,000 tonnes	18.3	9.3	96.8
Sales volume	10,000 tonnes	18.9	8.7	117.2
2. Polypropylene production	10,000 tonnes	18.0	9.0	100.0
Sales volume	10,000 tonnes	16.4	6.8	141.2
(II) Urea				
1. Production	10,000 tonnes	46.1	52.9	-12.9
2. Sales volume	10,000 tonnes	45.1	52.4	-13.9
(III) Methanol				
1. Production	10,000 tonnes	14.2	21.5	-34.0
2. Sales volume	10,000 tonnes	1.8	5.8	-69.0
III. Coal mining equipment operations				
1. Output value of coal mining equipment	RMB100 million	16.4	12.0	36.7

Note: The sales volume of methanol in 2018 does not include the internal self-consumption by the Company.

2.3 Major differences arising from the adoption of different accounting standards in preparing the financial statements

Unit: RMB'000

	Net profit attributable to equity holders of the listed company		Net assets attributable to equity holders of the listed company	
	January to March, 2018	January to March, 2017	As at 31 March 2018	As at 31 December 2017
According to PRC GAAP	1,410,828	1,170,967	90,764,109	89,011,747
Items and amounts adjusted according to IAS:				
(a) Adjustment to special funds and deferred tax of the coal industry	297,761	301,847	149,620	188,187
(b) Adjustment to floating of non-tradable shares under equity split	-	-	-155,259	-155,259
(c) Adjustment to government grants	927	927	-32,463	-33,390
According to IAS	1,709,516	1,473,741	90,726,007	89,011,285

Explanations on major reconciliations are as follows:

- (a) Adjustment to special reserves and relevant deferred tax: special reserves comprise maintenance fee, safety fund, coal mine transformation fund, mining environmental restoration security deposit and sustainable development reserve. Under PRC GAAP, the Group should make provisions for the special reserves which will be accounted as the production cost and contributions made to the special reserves of equity attributable to shareholders. Non-capital expenditure incurred should be directly offset against special reserves upon occurrence, while capital expenditure incurred should be recorded as fixed assets upon completion, and offset against special reserves based on the cost of the fixed assets with accumulated depreciation fully recognised. After that, no subsequent provisions for depreciation would be made to the relevant fixed assets. Under IFRS, provisions made for the special reserves should be recorded as retained earnings provision while the relevant expenditures are recognised upon occurrence and the special reserves are accordingly transferred to retained earnings.
- (b) Under PRC GAAP, the consideration paid by holders of non-tradable shares to holders of tradable shares in accordance with the reform proposal of equity split should be recorded as long-term equity investments in the balance sheet. Under IFRS, such consideration shall be recorded as interests of minority shareholders directly deducted from the equity attributable to shareholders.
- (c) Under PRC GAAP, subsidies considered as capital investment by the government should be recorded in "capital reserve". Under IFRS, the subsidies mentioned above shall be treated as government grants.

2.4 Total number of shareholders, top 10 shareholders and top 10 shareholders holding tradable shares (or shareholders not subject to trading moratorium) as at the end of the reporting period

Unit: Share

Total number of shareholders		175,009				
Particulars of top 10 shareholders						
Name of Shareholders (full name)	Number of shares held as at the end of the reporting period	Shareholding percentage (%)	Number of shares subject to trading moratorium	Shares pledged or frozen		Nature of shareholders
				Status	Number	
China National Coal Group Corporation (中國中煤能源集團有限公司)	7,605,207,608	57.36	–	Nil	0	State-owned legal person
HKSCC Nominees Limited	3,953,551,469	29.82	–	Unknown	–	Foreign legal person
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	346,112,355	2.61	–	Nil	0	State-owned legal person
China Coal Hong Kong Limited (中煤能源香港有限公司)	132,351,000	1.00	–	Nil	0	Foreign legal person
Central Huijin Asset Management Company Limited (中央匯金資產管理有限責任公司)	83,035,400	0.63	–	Nil	0	State-owned legal person
Xu Kaidong (徐開東)	42,122,547	0.32	–	Nil	0	Domestic natural person
China Construction Bank Corporation – New China Zeng Yi Debt Securities Investment Fund (中國建設銀行股份有限公司 – 新華增怡債券型證券投資基金)	23,703,124	0.18	–	Nil	0	Other
Haitong Securities Co., Ltd. – Zhongrong Zhongzheng Coal Index Graded Securities Investment Fund (海通證券股份有限公司 – 中融中證煤炭指數分級證券投資基金)	9,418,150	0.07	–	Nil	0	Other
Kashgar Peak Fire Equity Investment Co., Ltd. (喀什峰火股權投資有限公司)	8,409,800	0.06	–	Nil	0	Domestic non-state-owned legal person
Shanxi Xinxiong Trading Co., Ltd. (山西信雄貿易有限公司)	7,611,928	0.06	–	Nil	0	Domestic non-state-owned legal person

Particulars of top 10 shareholders not subject to trading moratorium			
Name of Shareholders	Number of listed shares not subject to trading moratorium	Type and number of shares	
		Type	Number
China National Coal Group Corporation (中國中煤能源集團有限公司)	7,605,207,608	Ordinary shares denominated in RMB	7,605,207,608
HKSCC Nominees Limited	3,953,551,469	Overseas listed foreign shares	3,953,551,469
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	346,112,355	Ordinary shares denominated in RMB	346,112,355
China Coal Hong Kong Limited (中煤能源香港有限公司)	132,351,000	Overseas listed foreign shares	132,351,000
Central Huijin Asset Management Company Limited (中央匯金資產管理有限責任公司)	83,035,400	Ordinary shares denominated in RMB	83,035,400
Xu Kaidong (徐開東)	42,122,547	Ordinary shares denominated in RMB	42,122,547
China Construction Bank Corporation – New China Zeng Yi Debt Securities Investment Fund (中國建設銀行股份有限公司 – 新華增怡債券型證券投資基金)	23,703,124	Ordinary shares denominated in RMB	23,703,124
Haitong Securities Co., Ltd. – Zhongrong Zhongzheng Coal Index Graded Securities Investment Fund (海通證券股份有限公司 – 中融中證煤炭指數分級證券投資基金)	9,418,150	Ordinary shares denominated in RMB	9,418,150
Kashgar Peak Fire Equity Investment Co., Ltd. (喀什峰火股權投資有限公司)	8,409,800	Ordinary shares denominated in RMB	8,409,800
Shanxi Xinxiong Trading Co., Ltd. (山西信雄貿易有限公司)	7,611,928	Ordinary shares denominated in RMB	7,611,928
Explanations on affiliated relationship or parties acting in concert among the abovementioned shareholders	China Coal Hong Kong Limited (中煤能源香港有限公司) is a wholly- owned subsidiary of China Coal Group, the controlling shareholder of the Company. It is not certain if any of the other shareholders are affiliated or acting in concert with each other.		
Explanations on preference shareholders with voting rights restored and the number of shares held	The Company does not have preference shares and has no preference shareholders with voting rights restored.		

Notes: The following statements shall apply to the abovementioned particulars of top 10 shareholders and particulars of top 10 shareholders not subject to trading moratorium:

- The above information was prepared in accordance with the register of shareholders of the Company as at 31 March 2018 provided by the China Securities Depository and Clearing Corporation Limited Shanghai Branch and Computershare Hong Kong Investor Services Limited.
- The H shares held by HKSCC Nominees Limited are held on behalf of various customers.

As at 31 March 2018, according to the disclosure of interests published on the website of HKSE, Funde Sino Life Insurance Co., Ltd. had long positions in 2,012,858,147 H shares of the Company.

2.5 Total number of holders of preference shares, top 10 holders of preference shares and top 10 holders of preference shares (not subject to trading moratorium) as at the end of the reporting period

Applicable Not applicable

III. SIGNIFICANT EVENTS

3.1 Significant changes of the major accounting projects and financial indicators and the reasons thereof

Applicable Not applicable

3.1.1 Analysis on reasons for the major changes in items on the balance sheet

Unit: RMB'000

Items	Balance as at the end of the reporting period	Balance as at the beginning of the year	Increase/decrease (%)	Major reasons for the changes
Prepayment	2,001,427	1,332,259	50.2	Mainly due to the combined effects of the increase in coal prepayments and freight for the expansion of business, and the increase in the material prepayment arising from the increase of contractual orders.
Interest payable	1,251,195	863,845	44.8	Mainly due to the increase in interests provided for interest-bearing debts.
Dividends payable	185,591	283,092	-34.4	Mainly due to the distribution of dividends by non-wholly-owned subsidiaries during the reporting period.

3.1.2 Analysis on reasons for the major changes in items on the income statement

Unit: RMB'000

Items	January to March, 2018	January to March, 2017	Increase/decrease (%)	Major reasons for the changes
Operational revenue	25,764,695	17,864,765	44.2	Mainly due to the combined effects of the year-on-year increase in sales of proprietary coal trading during the reporting period, the year-on-year increase in coal sales price, and the increase in polyolefin sales thanks to Mengda engineering plastics project going into production.
Operational cost	18,391,436	10,628,165	73.0	Mainly due to the combined effects of the year-on-year increase in sales of proprietary coal trading during the reporting period, the year-on-year increase in purchase price, and the increase in polyolefin sales thanks to the commencement of production by Mengda engineering plastics project.
Loss from impairment of assets	3,800	147,517	-97.4	Mainly due to the impairment provision made by the Company for the preliminary investment expenditures on some suspended projects in the same period last year. This factor was not accounted for in the reporting period.
Investment income	341,818	169,020	102.2	Mainly due to the increase in investment income of equity investment companies recognised according to shareholding ratio arising from the increase in net profits of equity investment companies.
Other income	34,266	62,077	-44.8	Mainly due to the year-on-year decrease in government grants related to daily business activities of the Company.
Net other comprehensive income (net of tax)	-7,636	9,854	-177.5	Mainly affected by the change in differences of conversion in the statements of foreign currency.

3.1.3 Analysis on reasons for major changes in items on the cash flow statement

Unit: RMB'000

Items	January to March, 2018	January to March, 2017	Major reasons for the changes
Net cash flows generated from operating activities	820,793	2,240,172	Mainly due to the decrease in the absorption of deposits by China Coal Finance during the reporting period as compared to that in the beginning of the year.
Net cash flows generated from investment activities	-2,020,897	-32,512	Mainly due to the combined effects of the year-on-year increase in self-operated loans by China Coal Finance during the reporting period, the receipt of the compensation for land resumption and the subsidiaries transfer settlements during the same period last year, while this factor was not accounted for in the reporting period, as well as the changes in term deposits with an initial term of more than three months.
Net cash flows generated from financing activities	-259,533	72,078	Mainly due to the year-on-year decrease in the cash inflows from debt financing resulting from the rational control of the scale of liabilities during the reporting period.

3.1.4 Sales revenue, cost and gross profit of coal operations

For the period from January to March of 2018, the Company's sales revenue from coal operations increased from RMB14.281 billion for the same period of 2017 to RMB20.222 billion, representing an increase of RMB5.941 billion; the sales cost of coal operations increased from RMB7.980 billion for the same period of 2017 to RMB14.065 billion, representing an increase of RMB6.085 billion, which was mainly due to the combined effects of the significant year-on-year increase in sales of proprietary coal trading and the year-on-year increase in sales price; the gross profit of coal operations decreased from RMB6.301 billion for the same period of 2017 to RMB6.157 billion, representing a decrease of RMB0.144 billion, which was mainly due to the year-on-year decrease in sales of self-produced commercial coal.

3.1.5 Changes in coal sales volume and price

Currency: RMB

		January to March, 2018		January to March, 2017		Increase/decrease in amount		Increase/decrease in percentage	
		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	1,631	546	1,879	510	-248	36	-13.2	7.1
	(I) Thermal coal	1,415	476	1,610	456	-195	20	-12.1	4.4
	1. Domestic sale	1,415	476	1,605	456	-190	20	-11.8	4.4
	2. Export	-	-	5	569	-5	-	-100.0	-
	(II) Coking coal	216	1009	269	830	-53	179	-19.7	21.6
	1. Domestic sale	216	1009	269	830	-53	179	-19.7	21.6
II. Proprietary coal trading	Total	1,886	564	819	508	1,067	56	130.3	11.0
	(I) Domestic resale	1,870	561	788	511	1,082	50	137.3	9.8
	(II) Self-operated exports*	7	1,556	1	2,347	6	-791	600.0	-33.7
	(III) Import trading	9	340	30	372	-21	-32	-70.0	-8.6
III. Import and export and domestic agency★	Total	77	8	89	7	-12	1	-13.5	14.3
	(I) Import agency	11	6	9	6	2	-	22.2	0.0
	(II) Export agency	66	8	67	7	-1	1	-1.5	14.3
	(III) Domestic agency	-	-	13	10	-13	-	-100.0	-

* : Briquette export.

★: Selling price is agency service fee.

3.1.6 Changes in unit cost of sales of self-produced commercial coal

Unit: RMB/tonne

Item	January to March, 2018	January to March, 2017	Year-on-year	
			Increase/ decrease in amount	Increase/ decrease (%)
Material costs	49.47	44.33	5.14	11.6
Labour costs	35.35	27.89	7.46	26.7
Depreciation and amortisation	48.45	44.60	3.85	8.6
Repair expenses	14.89	8.63	6.26	72.5
Outsourcing mining engineering fee	18.27	16.47	1.80	10.9
Other costs	43.30	52.77	-9.47	-17.9
Unit cost of sales of self- produced commercial coal	209.73	194.69	15.04	7.7

For the period from January to March 2018, the Company's unit cost of sales of self-produced commercial coal was RMB209.73/tonne, representing an increase of RMB15.04/tonne or 7.7% as compared to RMB194.69/tonne for the same period of 2017.

The unit cost of material increased year-on-year by RMB5.14/tonne, which was mainly attributable to the combined effects of the year-on-year increase in material cost as coal producing enterprises put more efforts in safety production, and the increase in material prices such as diesel oil.

The unit labour costs increased year-on-year by RMB7.46/tonne, which was mainly attributable to the increase in the wages of employees due to the economic growth of the Company, and the year-on-year decrease in the output of self-produced commercial coal during the reporting period, leading to the year-on-year increase in unit labour costs.

The unit depreciation and amortisation cost increased year-on-year by RMB3.85/tonne, which was mainly because the output of self-produced commercial coal decreased year-on-year during the reporting period, leading to a year-on-year increase in unit depreciation and amortisation cost.

The unit repair expenses increased year-on-year by RMB6.26/tonne, which was mainly attributable to a year-on-year increase of repair costs resulting from the strengthening of repair and maintenance of equipment by coal producing enterprises, to ensure safe production and improve equipment usage.

The unit outsourcing mining engineering fee increased year-on-year by RMB1.80/tonne, which was mainly attributable to the year-on-year increase in the volume of outsourcing mining engineering by coal producing enterprises.

The unit other costs decreased year-on-year by RMB9.47/tonne, which was mainly because coal producing enterprises implemented the "de-capacity" policy, causing a year-on-year decrease in related auxiliary production costs.

3.1.7 Changes in sales volume and price of major chemical products

Currency: RMB

	January to March, 2018		January to March, 2017		Increase/decrease in amount		Increase/decrease in percentage	
	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	35.3	7,965	15.5	7,928	19.8	37	127.7	0.5
1. Polyethylene	18.9	8,188	8.7	8,276	10.2	-88	117.2	-1.1
2. Polypropylene	16.4	7,709	6.8	7,485	9.6	224	141.2	3.0
(II) Urea	45.1	1,858	52.4	1,382	-7.3	476	-13.9	34.4
(III) Methanol◆	1.8	2,422	5.8	2,223	-4.0	199	-69.0	9.0

- ◆: The internal self-consumption of the Company has been offset. January to March, 2018: 116,500 tonnes, offsetting revenues of RMB240 million; January to March, 2017: 146,200 tonnes, offsetting revenues of RMB287 million.

3.1.8 Unit cost of sales of major chemical products

Currency: RMB

	Unit cost of sales (RMB/tonne)		
	January to March, 2018	January to March, 2017	Increase/decrease in amount
(I) Polyolefin	6,176	5,117	1,059
1. Polyethylene	6,147	5,108	1,039
2. Polypropylene	6,210	5,129	1,081
(II) Urea	984	907	77
(III) Methanol	1,715	1,593	122

3.2 Analysis and explanation on the progress of significant events and their impacts and solutions

Applicable Not applicable

3.3 Undertakings not yet fully performed during the reporting period

Applicable Not applicable

3.4 Warning in respect of possible loss or any significant changes in aggregate net profit from beginning of the year until the end of the next reporting period as compared with that of the corresponding period of 2017 and the reasons thereof

Applicable Not applicable

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

Beijing, the PRC, 27 April 2018

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

This English language version is provided for reference purpose only. In the event of any inconsistency between the English and the Chinese version, the Chinese version shall prevail.

* *For identification purpose only*