中煤

CHINA COAL ENERGY COMPANY LIMITED*

中國中煤能源股份有限公司

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

(Stock code: 01898)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS:

- In 2016, the Group's revenue amounted to RMB60.632 billion, representing an increase of RMB1.361 billion or 2.3% as compared with 2015.
- In 2016, the profit attributable to the equity holders of the Company amounted to RMB1.715 billion, representing an increase of RMB4.982 billion as compared with 2015.
- In 2016, the basic earnings per share of the Company was RMB0.13, representing an increase of RMB0.38 as compared with 2015.
- In 2016, EBITDA amounted to RMB12.691 billion, representing an increase of RMB5.612 billion or 79.3% as compared with 2015.
- The Board recommended the payment of final dividends of RMB0.039 per share (inclusive of tax) for the year 2016, which is subject to the approval by the Shareholders at the annual general meeting to be held in 2017.

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 2016 prepared by the Group in accordance with the International Financial Reporting Standards ("IFRS"):

A. SELECTED CONSOLIDATED FINANCIAL INFORMATION PREPARED IN ACCORDANCE WITH IFRS

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

		Year ended 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**60,631,613**	59,270,865
Cost of sales			
Materials used and goods traded		**(25,375,919)**	(24,199,733)
Staff costs		**(4,053,659)**	(4,229,628)
Depreciation and amortisation		**(5,895,215)**	(6,393,236)
Repairs and maintenance		**(1,005,228)**	(824,533)
Transportation costs and port expenses		**(8,212,385)**	(11,735,216)
Sales taxes and surcharges		**(1,900,129)**	(1,492,708)
Others		**(4,296,715)**	(6,292,032)
Cost of sales		**(50,739,250)**	(55,167,086)
Gross profit		**9,892,363**	4,103,779
Selling, general and administrative expenses		**(4,749,865)**	(4,400,328)
Other income		**13,300**	56,297
Other gains, net		**980,186**	283,472
Profit from operations		**6,135,984**	43,220
Finance income	*4*	**614,341**	965,660
Finance costs	*4*	**(4,357,025)**	(4,946,870)
Share of profits of associates and joint ventures		**608,008**	362,312
Profit/(loss) before income tax		**3,001,308**	(3,575,678)
Income tax (expense)/credit	*5*	**(298,757)**	748,178
Profit/(loss) for the year		**2,702,551**	(2,827,500)
Profit/(loss) attributable to:			
Equity holders of the Company		**1,715,105**	(3,266,791)
Non-controlling interests		**987,446**	439,291
		2,702,551	(2,827,500)
Basic and diluted earnings/(losses) per share for the profit/(loss) attributable to the equity holders of the Company (RMB)	*6*	**0.13**	(0.25)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Profit/(loss) for the year	**2,702,551**	(2,827,500)
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss		
Fair value changes on available-for-sale financial assets, net of tax	**(1,622)**	(872)
Currency translation differences	**22,813**	(8,396)
Total items that may be reclassified to profit or loss	**21,191**	(9,268)
Other comprehensive income/(loss) for the year, net of tax	**21,191**	(9,268)
Total comprehensive income/(loss) for the year	**2,723,742**	(2,836,768)
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**1,736,296**	(3,276,059)
Non-controlling interests	**987,446**	439,291
	2,723,742	(2,836,768)

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2016

		As at 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**128,239,858**	128,805,171
Investment properties		**53,270**	50,836
Land use rights		**5,038,319**	4,889,260
Mining and exploration rights		**33,673,946**	32,843,807
Intangible assets		**1,443,284**	1,363,034
Goodwill		**6,084**	–
Investments in associates		**12,008,565**	11,221,621
Investments in joint ventures		**2,020,163**	1,878,577
Available-for-sale assets		**5,467,784**	5,566,926
Deferred income tax assets		**2,982,306**	2,425,963
Long-term receivables		**285,342**	245,524
Other non-current assets		**6,897,443**	6,716,696
		198,116,364	196,007,415
Current assets			
Inventories		**7,390,899**	6,825,048
Trade and notes receivables	*8*	**14,457,865**	13,268,942
Prepayments and other receivables		**7,424,173**	9,726,628
Restricted bank deposits		**1,919,510**	2,586,039
Term deposits with initial terms of over three months		**3,455,113**	18,416,259
Cash and cash equivalents		**9,893,779**	11,195,663
		44,541,339	62,018,579
TOTAL ASSETS		**242,657,703**	258,025,994
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		**13,258,663**	13,258,663
Reserves	*9*	**43,346,514**	42,775,332
Retained earnings		**29,441,863**	27,673,574
		86,047,040	83,707,569
Non-controlling interests		**16,066,828**	16,574,854
Total equity		**102,113,868**	100,282,423

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

		As at 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**43,496,933**	54,479,691
Long-term bonds		**25,900,417**	25,896,299
Deferred income tax liabilities		**6,738,669**	6,821,961
Deferred revenue		**801,552**	784,397
Provision for employee benefits		**70,936**	41,283
Provision for close down, restoration and environmental costs		**1,352,350**	1,308,799
Other long-term liabilities		**767,242**	764,390
		79,128,099	90,096,820
Current liabilities			
Trade and notes payables	*10*	**21,160,146**	20,665,655
Accruals, advances and other payables		**12,725,542**	13,289,854
Short-term bonds		**3,000,000**	2,000,000
Current portion of long-term bonds		**–**	14,972,791
Taxes payable		**1,769,449**	1,017,466
Short-term borrowings		**6,573,031**	5,657,929
Current portion of long-term borrowings		**16,161,810**	10,019,483
Current portion of provision for close down, restoration and environmental costs		**25,758**	23,573
		61,415,736	67,646,751
Total liabilities		**140,543,835**	157,743,571
TOTAL EQUITY AND LIABILITIES		**242,657,703**	258,025,994

B. NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

China Coal Energy Company Limited (the "Company") was established in the People's Republic of China (the "PRC") on 22 August 2006 as a joint stock company with limited liability under the Company Law of the PRC as a result of a group restructuring of China National Coal Group Corporation ("China Coal Group" or the "Parent Company") in preparing for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Restructuring"). The Company and its subsidiaries (collectively the "Group") is principally engaged in mining and processing of coal, sale of coal and coal-chemical products, manufacturing and sale of coal mining machinery and finance services. The address of the Company's registered office is 1 Huang Si Da Jie, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets which are carried at fair value.

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

As at 12 December 2016, the Group's current liabilities exceeded its current assets by approximately RMB16,874 million. To raise the fund required for the short-term repayment, the Group has planned to utilise the following:

- Short-term bonds of RMB10,000 million registered with National Association of Financial Market Institutional Investors in July 2016, of which RMB 3,000 million has been issued in August 2016, and the remaining RMB 7,000 million can be issued when necessary;
- Corporate bond of RMB 8,000 million to be issued, which has been approved by certain governmental authorities in December 2016;
- The Group's expected net cash flow from operating activities for the next 12 months;
- Banking facilities available for draw-down of new loans when necessary; and
- Other sources of financing given the Group's credit rating and long-term relationship with reputable domestic banks and other financial institutions.

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

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016.

- Amendment to IFRS 11 on accounting for acquisitions of interests in joint operations.

- Amendments to IAS 16 and IAS 38, "Clarification of acceptable methods of depreciation and amortisation".

- Amendments from annual improvements to IFRSs – 2012-2014 Cycle, on IFRS 5, 'Non-current assets held for sale and discontinued operations', IFRS 7, 'Financial instruments: Disclosures' and IAS 19, 'Employee benefits' and IAS 34, 'Interim financial reporting'.

- Amendments to IAS 1, "Disclosure initiative".

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

3 SEGMENT INFORMATION

(1) General information

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

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

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

b. *Reportable segments*

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

- Coal – production and sales of coal;

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

- Mining machinery – manufacturing and sales of mining machinery;

- Finance – providing deposit, loan, bill acceptance and discount and other financial services to the entities within the Group and China Coal Group.

The finance segment is regarded as a reportable segment for the first time in 2016, comparative segment information has been restated accordingly.

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

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

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

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

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

	For the year ended and as at 31 December 2016								
	Coal *RMB'000*	Coal-chemical *RMB'000*	Mining machinery *RMB'000*	Finance *RMB'000*	Others (*note*) *RMB'000*	Total operating segment *RMB'000*	Non operating segment *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Revenue									
Total revenue	46,707,571	10,549,358	4,029,024	–	2,490,487	63,776,440	–	(3,144,827)	60,631,613
Inter-segment revenue	(2,031,803)	(31,057)	(355,521)	–	(726,446)	(3,144,827)	–	3,144,827	–
Revenue from external customers	44,675,768	10,518,301	3,673,503	–	1,764,041	60,631,613	–	–	60,631,613
Profit/(loss) from operations	4,070,179	2,126,074	116,501	(31,460)	202,485	6,483,779	(398,589)	50,794	6,135,984
Profit/(loss) before income tax	2,919,315	1,352,251	25,147	380,017	187,536	4,864,266	(1,912,229)	49,271	3,001,308
Interest income	54,262	115,859	12,012	579,024	6,228	767,385	1,376,852	(1,529,896)	614,341
Interest expense	(1,341,424)	(986,432)	(106,940)	(167,548)	(22,734)	(2,625,078)	(3,233,043)	1,528,626	(4,329,495)
Depreciation and amortisation	(4,052,725)	(1,687,426)	(389,828)	(1,592)	(388,838)	(6,520,409)	(35,079)	–	(6,555,488)
Share of profit/(loss) of associates and joint ventures	158,100	95,852	3,177	–	(21)	257,108	350,900	–	608,008
Income tax (expense)/credit	(766,650)	(36,910)	16,317	(95,053)	25,046	(857,250)	591,852	(33,359)	(298,757)
Other material non-cash items									
Provision for impairment of property, plant and equipment	(86,042)	–	–	–	(124,807)	(210,849)	–	–	(210,849)
Provision for impairment of other assets	(68,601)	(147,543)	(115,963)	(12,870)	(39,634)	(384,611)	(85,555)	81,202	(388,964)
Segment assets and liabilities									
Total assets	130,944,969	50,026,481	17,644,136	6,008,183	7,039,922	211,663,691	32,842,905	(1,848,893)	242,657,703
Include: investment in associates and joint ventures	2,424,305	547,308	37,273	–	356	3,009,242	11,019,486	–	14,028,728
Addition to non-current assets	8,832,716	2,182,876	194,573	150	438,249	11,648,564	(33,926)	–	11,614,638
Total liabilities	44,831,994	24,409,957	5,835,650	3,583,547	2,873,601	81,534,749	60,856,386	(1,847,300)	140,543,835

	For the year ended and as at 31 December 2015 (restated)								
	Coal *RMB'000*	Coal-chemical *RMB'000*	Mining machinery *RMB'000*	Finance *RMB'000*	Others *(note)* *RMB'000*	Total operating segment *RMB'000*	Non operating segment *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Revenue									
Total revenue	42,106,071	11,931,918	4,979,978	–	3,166,845	62,184,812	–	(2,913,947)	59,270,865
Inter-segment revenue	(1,640,153)	(16,948)	(480,869)	–	(775,977)	(2,913,947)	–	2,913,947	–
Revenue from external customers	40,465,918	11,914,970	4,499,109	–	2,390,868	59,270,865	–	–	59,270,865
(Loss)/profit from operations	(2,184,752)	2,457,443	121,227	(484,316)	449,313	358,915	(323,319)	7,624	43,220
(Loss)/profit before income tax	(3,538,685)	1,289,578	29,521	407,723	(20,525)	(1,832,388)	(1,736,300)	(6,990)	(3,575,678)
Interest income	88,546	141,183	5,899	689,453	(681,008)	244,073	1,859,000	(1,137,413)	965,660
Interest expense	(1,545,508)	(1,295,730)	(88,221)	(243,434)	211,686	(2,961,207)	(3,564,091)	1,568,987	(4,956,311)
Depreciation and amortisation	(4,452,458)	(1,659,339)	(374,156)	(1,554)	(511,842)	(6,999,349)	(36,480)	–	(7,035,829)
Share of profits/(losses) of associates and joint ventures	88,053	(13,767)	(4,535)	–	–	69,751	292,561	–	362,312
Income tax (expense)/credit	1,269,658	(365,729)	(11,135)	(101,956)	(62,111)	728,727	(723)	20,174	748,178
Other material non-cash items									
Provision for impairment of property, plant and equipment	–	–	–	–	(34,793)	(34,793)	–	–	(34,793)
Provision for impairment of other assets	(130,788)	(11,495)	(31,443)	(24,018)	(91,375)	(289,119)	–	–	(289,119)
Segment assets and liabilities									
Total assets	129,674,801	55,647,125	17,858,773	17,123,696	6,688,491	226,992,886	33,599,379	(2,566,271)	258,025,994
Include: investment in associates and joint ventures	2,315,068	480,211	96,917	–	–	2,892,196	10,208,002	–	13,100,198
Addition to non-current assets	8,585,074	4,722,113	610,991	316,892	329,806	14,564,876	5,657	–	14,570,533
Total liabilities	47,479,100	25,194,720	6,036,283	4,924,045	3,315,892	86,950,040	73,361,220	(2,567,689)	157,743,571

Note:

Other segments primarily relate to aluminum, electricity generating, equipment trading agency services, tendering services and other insignificant manufacturing businesses.

(3) Geographical information

Analysis of revenue

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Domestic markets	**59,790,613**	57,903,697
Overseas markets	**841,000**	1,367,168
	60,631,613	59,270,865

Note:

(a) Revenue is attributed to countries on the basis of the customers' locations.

Analysis of non-current assets

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Domestic	**189,380,420**	187,768,539
Overseas	**512**	463
	189,380,932	187,769,002

Note:

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

4 FINANCE INCOME AND COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest expense:		
– Bank borrowings	**3,651,421**	4,307,791
– Long-term and short-term bonds	**2,007,499**	2,013,723
– Provisions: unwinding of discount	**90,648**	85,583
Other incidental bank charges	**17,241**	10,467
Net foreign exchange losses/(gains)	**10,289**	(19,908)
Total finance costs	**5,777,098**	6,397,656
Less: amounts capitalised on qualifying assets	**(1,420,073)**	(1,450,786)
Finance costs	**4,357,025**	4,946,870
Finance income:		
– Interest income on bank deposits	**426,610**	804,822
– Interest income on loans receivable	**187,731**	160,838
Total finance income	**614,341**	965,660
Finance costs, net	**3,742,684**	3,981,210

Note:

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

	2016	2015
Capitalisation rate used to determine the amount of finance costs eligible for capitalisation	**4.28%-5.44%**	5.00%-6.29%

5 INCOME TAX EXPENSE/(CREDIT)

	2016 *RMB'000*	2015 *RMB'000*
Current income tax		
– PRC enterprise income tax *(note (a))*	**986,382**	907,447
Deferred income tax	**(687,625)**	(1,655,625)
	298,757	(748,178)

Notes:

(a) The provision for PRC enterprise income tax ("EIT") is calculated based on the statutory income tax rate of 25%. The applicable income tax rate in 2016 and 2015 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:

	2016 *RMB'000*	2015 *RMB'000*
Profit/(loss) before income tax	**3,001,308**	(3,575,678)
Tax calculated at statutory income tax rate of 25% in the PRC	**750,327**	(893,920)
Effect of preferential tax rates on the income of certain subsidiaries	**(213,833)**	(6,167)
Income not subject to taxation	**(147,515)**	(92,956)
Expenses not deductible for taxation purposes	**158,557**	102,930
Utilisation of previously unrecognised tax losses	**(259,919)**	(25,701)
Recognition of previously unrecognised tax losses	**(103,500)**	–
Tax losses for which no deferred income tax asset has been recognised	**133,234**	229,131
Deductible temporary differences for which no deferred income tax asset has been recognised	**19,807**	–
Additional expenses allowable for tax deduction	**(38,401)**	(61,495)
Income tax expense/(credited)	**298,757**	(748,178)

The effective tax rate was 10% for the year ended 31 December 2016 (2015: 21%).

6 EARNINGS/(LOSSES) PER SHARE

Basic earnings/(losses) per share are calculated by dividing the profit attributable to equity holders of the Company by the number of 13,258,663,000 ordinary shares in issue during the year.

As the Company had no dilutive instruments for the years ended 31 December 2016 and 2015, diluted earnings/(losses) per share are presented equals to basic earnings/(losses) per share.

7 DIVIDENDS

The dividends paid in 2016 and 2015 were nil and RMB319,649,000 (RMB0.024 per share) respectively. A dividend in respect of the year ended 31 December 2016 of RMB0.039 per share, amounting to a total dividend of RMB514,532,000, is to be proposed at the 2016 annual general meeting. These financial statements do not reflect this dividend payable.

	2016	2015
	RMB'000	*RMB'000*
Proposed final dividend of RMB0.039 (2015: nil) per ordinary share	**514,532**	–

8 TRADE AND NOTES RECEIVABLES

	31 December 2016	31 December 2015
	RMB'000	*RMB'000*
Trade receivables, net *(note (a))*	**7,658,899**	9,679,830
Notes receivables *(note (b))*	**6,798,966**	3,589,112
	14,457,865	13,268,942

Notes:

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

	31 December 2016	31 December 2015
	RMB'000	*RMB'000*
Within 6 months	**3,805,284**	5,817,041
6 months – 1 year	**1,845,796**	2,053,096
1 – 2 years	**1,396,583**	1,624,152
2 – 3 years	**626,967**	337,070
Over 3 years	**509,454**	337,938
Trade receivables, gross	**8,184,084**	10,169,297
Less: impairment of receivables	**(525,185)**	(489,467)
Trade receivables, net	**7,658,899**	9,679,830

As at 31 December 2016 and 2015, there are no significant trade receivables that are past due but are not impaired. The individually impaired receivables primarily relate to customers who are in financial difficulty.

(b) Notes receivables are principally bank accepted bills with maturity of less than one year (2015: less than one year).

9 RESERVES

	Capital reserve *RMB'000*	Statutory reserve funds *RMB'000*	General reserve *RMB'000*	Future development fund *RMB'000*	Safety fund *RMB'000*	Other funds relevant to coal enterprise *RMB'000*	Translation reserve *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
Balance at 1 January 2015	30,651,045	3,992,822	–	56,027	13,912	2,118,320	(67,328)	6,305,130	30,575,152	73,645,080
Loss for the year	–	–	–	–	–	–	–	–	(3,266,791)	(3,266,791)
Other comprehensive loss	–	–	–	–	–	–	(8,396)	(872)	–	(9,268)
Appropriations	–	–	123,919	(7,477)	22,595	(804,874)	–	–	665,837	–
Share of changes in reserves of associates	–	–	–	–	–	–	–	4,998	(8,342)	(3,344)
Contributions	405,846	–	–	–	–	–	–	–	–	405,846
Dividends	–	–	–	–	–	–	–	–	(319,649)	(319,649)
Loss of significant influence over associates	–	–	–	–	–	–	–	(30,335)	27,367	(2,968)
Balance at 31 December 2015	31,056,891	3,992,822	123,919	48,550	36,507	1,313,446	(75,724)	6,278,921	27,673,574	70,448,906
Profit for the year	–	–	–	–	–	–	–	–	1,715,105	1,715,105
Other comprehensive income	–	–	–	–	–	–	22,813	(1,622)	–	21,191
Appropriations	–	37,786	129,500	124,785	304,216	(641,298)	–	–	45,011	–
Share of change in reserves of associates	–	–	–	–	–	–	–	(3,319)	3,319	–
Contributions	4,728	–	–	–	–	–	–	–	–	4,728
Dividends	–	–	–	–	–	–	–	–	–	–
Acquisition of non-controlling interests	–	–	–	–	–	–	–	604,307	–	604,307
Disposal of subsidiaries	–	–	–	–	(4,854)	–	–	–	4,854	–
Others	–	–	–	–	–	–	–	(5,860)	–	(5,860)
Balance at 31 December 2016	**31,061,619**	**4,030,608**	**253,419**	**173,335**	**335,869**	**672,148**	**(52,911)**	**6,872,427**	**29,441,863**	**72,788,377**

Notes:

(a) Statutory reserve funds

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to set aside 10% of its profit after tax as determined in accordance with the relevant accounting principles and financial regulations applicable to PRC companies ("PRC GAAP") and regulations applicable to the Company, to the statutory reserve funds until such reserve reaches 50% of the registered capital of the Company. The appropriation to the reserve must be made before any distribution of dividends to equity holders before reaching 50% threshold mentioned above. The statutory surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

(b) Future development fund

Pursuant to the relevant PRC regulations, the Group is required to set aside an amount to a future development fund at RMB6 to RMB8 (2015: RMB6 to RMB8) per ton of raw coal mined. The fund can be used for future development of the coal mining operations, and is not available for distribution to shareholders. Upon incurring qualifying development expenditures, an equivalent amount is transferred from future development fund to retained earnings.

(c) Safety fund

Pursuant to certain regulations issued by the Ministry of Finance (財政部) and the State Administration of Work Safety (安全監管總局) of the PRC, the subsidiaries of the Group which are engaged in coal mining are required to set aside an amount to a safety fund at RMB10 to RMB30 per ton of raw coal mined. The subsidiaries of the Group which are engaged in coal-chemical, machinery manufacturing, metallurgy and other relevant business are required to set aside an amount of certain percentage of revenue to a safety fund. The safety fund can be used for safety facilities and environment improvement, and is not available for distribution to shareholders. Upon incurring qualifying safety expenditure, an equivalent amount is transferred from safety fund to retained earnings.

(d) Other funds relevant to coal enterprise

(i) Transformation and environmental restoration fund

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

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

(ii) Sustainable development fund

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

(e) Acquisition of non-controlling interests

During the year ended 31 December 2016, the Group acquired 45% of non-controlling interests in Shanxi Xiaohuigou Coal Mining Co., Ltd. ("Xiaohuigou"), a subsidiary of the Group, for a consideration of RMB849,050,000. The amount of RMB604,369,000, representing 45% equity interests in Xiaohuigou at the acquisition date in excess of the consideration paid, was recorded as an addition of reserve.

During the year ended 31 December 2016, the Group also acquired 10% non-controlling interests in Wushenqi Mengda Water Services Company Limited, a subsidiary of the Group, resulting in an RMB62,000 decrease of reserve.

10 TRADE AND NOTES PAYABLES

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Trade payables *(note (a))*	**18,113,862**	19,039,397
Notes payable	**3,046,284**	1,626,258
	21,160,146	20,665,655

Note:

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

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Less than 1 year	**11,957,285**	14,955,209
1 – 2 years	**4,428,746**	2,620,806
2 – 3 years	**792,699**	711,828
Over 3 years	**935,132**	751,554
	18,113,862	19,039,397

11 COMMITMENTS

(a) Capital commitments

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

	2016 *RMB'000*	2015 *RMB'000*
Property, plant and equipment	**3,721,960**	2,174,303
Land use rights	**1,610,165**	1,160,643
	5,332,125	3,334,946

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

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

	2016 *RMB'000*	2015 *RMB'000*
Land and buildings:		
– Within 1 year	**114,650**	105,397
– From 1 year to 5 years	**224,339**	274,557
– Over 5 years	**560,847**	616,931
	899,836	996,885

(c) Investment commitments

According to the agreement entered into on 16 August 2012, Mengxi-Huazhong Railway Company Limited ("Mengxi-Huazhong") was incorporated by the Company, China Railway Investment Corporation and other 14 companies. As a 10% shareholder, by 31 December 2016 the Company has invested RMB1,413 million in Mengxi-Huazhong and is committed to further invest RMB5,284 million by instalments in the future.

According to the agreement entered into on 29 June 2011 among the Company, Yima Coal Industry Group Company Limited and Shanxi Haizi Jiaohua Company Limited ("Haizi Jiaohua"), as at 31 December 2016, the Company has paid RMB168 million to Haizi Jiaohua as part of the consideration to acquire 51% interests in Jinchang and committed to pay the remaining consideration of RMB311 million in the future when certain condition is fulfilled.

According to the agreement entered into on 29 June 2011 between the Company and Haizi Jiaohua, by 31 December 2016, the Company has paid RMB259 million to Haizi Jiaohua as part of the consideration to acquire 63% interests in Yushuo and committed to pay the remaining consideration of RMB481 million in the future when certain condition is fulfilled.

According to the agreement entered into on 15 July 2006, Zhongtian Synergetic was incorporated by the Company, China Petroleum & Chemical Corporation and other 3 companies. As a 38.75% shareholder, by 31 December 2016 the Company has invested RMB6,787 million in Zhongtian Synergetic and is committed to further invest RMB481 million by instalments in the future.

According to the agreement entered into on 28 May 2008, Mengji Railway Company Limited ("Mengji Railway") was incorporated by the Company, Hohhot Railway Bureau and other 7 companies. As a 5% shareholder, by 31 December 2016 the Company has invested RMB1,400 million in Mengji Railway and is committed to further invest RMB100 million by instalments in the future.

According to the agreement entered into on 23 December 2011, Huzhun'e Railway Company Limited ("Huzhun'e Railway") was incorporated by the Company, Hohhot Railway Bureau and other 7 companies. As a 10% shareholder, by 31 December 2016 the Company has invested RMB266 million in Huzhun'e Railway and is committed to further invest RMB819 million by instalments in the future.

(d) Guarantee commitments

A resolution of a guarantee for the principal of RMB17.05 billion, together with the accrued interests and other expenses, etc. to be provided by the Company to Zhongtian Synergetic in respect of a syndicated loan facility on a proportional basis has been passed in the EGM held on 27 October 2015. As at 31 December 2016, the Company had provided guarantee of RMB11.55 billion to Zhongtian Synergetic.

A resolution of a guarantee for a joint liability guarantee amounting to no more than RMB0.9 billion to be provided by Shaanxi Yulin to Hecaogou Coal on a proportional basis has been passed in the EGM held on 27 October 2015. As at 31 December 2016, Shaanxi Yulin had provided guarantee of RMB150 million to Hecaogou Coal.

CHAIRMAN'S STATEMENT

Dear Shareholders,

The year of 2016 was a remarkable year for Chinese coal enterprises. With the effects of the policies such as thoroughly promoting the supply-side structural reform and expediting to dissolve overcapacity of coal, the domestic coal market initially declined and gradually picked up, while the coal price stabilised and rebounded. By closely following market changes, the Company scientifically arranged production with focusing on quality enhancement and efficiency improvement, and promoted reform and adjustment, thus the production and operation proceeded steadily, and the Company successfully realised the turnaround from loss to profit. The Company achieved operating revenue of RMB60.632 billion, representing a year-on-year increase of 2.3%. The profit before income tax amounted to RMB3.001 billion, representing a year-on-year increase of RMB6.577 billion. The profit attributable to the equity holders of the Company was RMB1.715 billion, representing a year-on-year increase of RMB4.982 billion. Basic earnings per share amounted to RMB0.13, representing a year-on-year increase of RMB0.38. Against the complicated and difficult backdrop, the Company achieved hard-won operating results, and harvested gratifying working performance, which were dependent on various measures adopted and comprehensive strategies implemented by the senior management, solidarity of heart and strength, and commitment of the staff, as well as strong support from all Shareholders. I would like to extend my sincere gratitude to all Shareholders and stakeholders for their interest in and support for the Company over 2016. On behalf of the Board, I hereby present the 2016 annual results to all Shareholders.

A smooth coordination between coal production and sales was maintained by organising production scientifically.

In 2016, facing the new challenges arising from cutting coal overcapacity and reduced production, the Company adjusted its operation strategies, adhered to maximisation of profit and organised coal production in a scientific and orderly manner. Since the second half of 2016, by capturing market opportunities brought by policies and overcoming difficulties proactively, the Company optimised production continuity, vigorously stabilised and increased production through fully capitalising on advanced capacities with production volume of commercial coal reaching 80.99 million tonnes for the whole year of 2016. The Company continued to intensify coal quality management, optimised product mix and enhanced product quality. The coordination between production and sales was refined with optimised marketing strategies to keep up with the pace of market. Market expansion was vigorously conducted, and the markets along the Yangtze River and in southwestern China as well as local sales and direct arrival markets were proactively expanded while traditional markets were consolidated. Coal sales volume reached 132 million tonnes for the whole year of 2016, including sales volume of self-produced commercial coal amounting to 80.67 million tonnes. The annual plan for coal production and sales volume was fulfilled while the situation of safety production remained stable.

Coal chemical operation hit another new high level with stable production load.

During 2016, the Company made great efforts to explore the potential of the equipment and devices, focused on safety production and long-cycle operation of coal chemical enterprises. Polyolefin devices in Yulin, Shaanxi recorded a historically high level in respect of its monthly production. Urea devices in Tuke achieved normalised full-load production. The methanol consumption level of polyolefin devices in China Coal Mengda achieved advanced levels at home and abroad. The Company capitalised on centralised sales advantages of coal chemical products, implemented the combination of proprietary and consignment transaction of urea and established the olefin brand to vigorously expand markets. Major coal chemical products achieved full-scale production and sales with an annual output of 710,000 tonnes of polyolefin, 1.975 million tonnes of urea and 651,000 tonnes of methanol. By focusing on benchmarking and standard attainment, deepening informatisation management, and promoting technology innovation and new product research and development, the Shaanxi Company was awarded the Innovation Prize of Informatisation Management of Chinese Energy Enterprises. The Company devoted itself to boosting energy conservation technology advancement, lowering product unit consumption and strengthening environmental protection risk control, therefore, positive effects were achieved in energy conservation and emission reduction. Ordos Energy Chemical Company obtained the "Green Environmental Protection Award" of Chinese corporate social responsibility for 2016.

Lean management was brought to a new height by focusing on cost reduction and efficiency improvement.

The Company adhered to performance orientation, intensified lean management and strengthened budget execution. The Company implemented assessment by categories, promoted differentiating management and innovated incentive mechanism to stimulate enthusiasm and creativity of the enterprise. The Company continued to promote and strengthen cost reduction through technology and system enhancement, enabling the unit cost of sales of self-produced commercial coal to decrease by 8.8% year-on-year. Although raw material costs substantially increased, the production costs of major coal chemical products were effectively controlled. The Company enhanced fund raising and financing management to control capital chain risks. The debt scale was strictly controlled and the debt structure was optimised to reduce the financing cost. The Company substantially reduced "trade receivables and inventories" so that operating cash net inflow amounted to RMB12.068 billion, representing a year-on-year increase of 65.7%. The debt asset ratio decreased by 3.2 percentage points and gross interest expenses declined by 10.3% year-on-year.

Major projects were steadily pushed forward by sticking to strategic guidance.

In recent years, the Company has constantly accelerated adjustment of the industrial structure, and focused on promoting transformation and upgrade of the Company. In 2016, the replacement of production capacities of the Muduchaideng coal mine, the Nalin River No.2 coal mine and the Dahaize coal mine of the Company was approved by the National Development and Reform Commission and the preliminary work proceeded in an orderly way. The polyolefin project of China Coal Mengda was put into trial production and maintained stable operation with high load. The olefin yield and start-up of the plant hit new records of similar facilities. A single commissioning test run of Pingshuo Inferior Coal Comprehensive Utilisation Project was successful. The initial working faces of the Menkeqing coal mine and the Hulusu coal mine of Zhongtian Synergetic Company were put into trial operation. The 2 × 660MW Low Calorific Value Coal Power Generation Project in Pingshuo, the Project of the Second Power Plant 2 × 660MW located in the north of Wucai Bay, Zhundong, Xinjiang and the 2×350MW Coal Gangue Thermal Power Project of Shanghai Energy progressed steadily.

Increased efforts were put on reform and innovation and initial results were achieved via leaner and healthier development.

The Company adhered to the capable and efficacious philosophy, deepened three institutional reforms on labour, human resource and income distribution, and promoted staffs downsizing and efficiency improvement to increase corporate vitality. The Company pushed forward the integration of business, accomplished the equity transfer of partial non-core assets and optimised the assets structure, thereby improving the operational quality. The coal sales and railway operation in the Ordos region were integrated, and the synergies were reinforced, so that the working efficiency was enhanced. Proactively capitalising on national policies, the Company promoted cutting overcapacity, disposal of "zombie enterprises", clearance of particularly poor enterprises and governance on loss-making enterprises, and simplified the hierarchy of management to reduce management costs. The Company streamlined construction projects by categories, optimised the investment structure, controlled the pace of investments, and enhanced the standard of corporate operations and risk resistance capability.

Looking back into the year of 2016, the world economic situation remained complicated and domestic economic growth sustained slowdown. Affected by the overlapping influences of various factors such as cutting overcapacity, downsizing production, reduction in hydropower output and coal inventory replenishment, coal price rose more than expected in the second half of 2016, which was also a reasonable adjustment to the earlier excessively low coal price. Overall, no radical changes were experienced in the fundamentals of the domestic coal industry; no increase was recorded in respect of the coal demand; no change was seen in the national policy of cutting overcapacity. Looking forward to the future, the year of 2017 is an important year for implementation of the "Thirteenth Five-Year Plan" as well as a significant year for intensification of the supply-side structural reform. Under the new normal, the Chinese economy will keep the fundamentals of constantly robust development unchanged, and will be expected to maintain a medium-to-high-rate growth. With the supply-side structural reform thoroughly promoted, the motivation for innovation and the vitality for economy will be further stimulated, which will lay a solid foundation for the stable development of the Chinese economy. In respect of the coal industry, the measures taken by the Chinese government such as capacity reserve, reduction replacement and quota transaction, medium-and-long-term contracts, lowest and highest inventories, and a long-lasting mechanism for curbing exceptionally volatile coal price will effectively facilitate the coal industry to gradually achieve long-term healthy development and coal prices will be expected to maintain in a reasonable range. By capitalising on the opportunity of the supply-side structural reform of the Chinese government, the Company will integrate cutting overcapacity with the structural adjustment, transformation and upgrade, vigorously promote the development of clean and efficient utilisation of coal, devote to creating a new model of circular economy comprising coal-electricity-chemical and strive to become a clean energy supplier with relatively strong international competitiveness. Meanwhile, China Coal Group, the controlling shareholder of the Company, will proactively participate in the consolidation of coal resources of the state-owned enterprise and gradually take over partial coal assets and related businesses from the state-owned enterprise, which will push forward the synergetic development of the coal, electricity and chemical industries of the Company.

In 2017, the Company will closely focus on the annual targets for production and operations on a market-oriented basis and efficiency-focused approach. By sticking to the general requirement of "quality improvement amid stability with reform and innovation", the Company will continue to promote the structural adjustment and deepen the corporate reform with a view to increasing the earning level. Firstly, the Company will organise production in a scientific and reasonable manner, reinforce connection among production, transportation and marketing, and enhance the profitability of sales to ensure that the full-year tasks for production and sales are achieved. Secondly, the Company will continue to enhance the safety assurance ability and vigorously maintain production safety. Thirdly, the Company will focus on comprehensive budgeting management, vigorously improve quality and efficiency, and fully increase the operational quality. Fourthly, capturing the advantageous conditions of the current reform, the Company will continue to intensify enterprise reform, achieve various key tasks and make itself more leaner and healthier for further stimulating its vitality. Fifthly, the Company will speed up the construction of key projects, carry out transformation and upgrade, and build a new industrial system. Sixthly, the Company will strengthen entrepreneurship and innovation, and constantly reinforce the support of innovation on development. Seventhly, the Company will focus on significant risk prevention and control to ensure the healthy development.

With favourable timing and conditions, a flagship is bound to break the waves and navigate forward; as taking heavy burden and embarking on a long journey, an explorer shall strive to march on with solidarity and diligence. The management and all employees of the Company will make progress amid stability with firm confidence and inspired spirit, and solidly promote reform, development and various tasks with pioneering and innovative spirits, striving to create a brighter future for the Company with new results of production and operation, and new effects of reform and innovation.

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 2016, the Chinese government further pushed forward the supply-side structural reform and the coal market significantly improved with coal prices stabilised and rebounded. Through closely following market changes, organising production and operation in a scientific and orderly manner, vigorously promoting efficiency improvement by quality enhancement and cost reduction, actively optimising market layout and product mix, together with its major action of aggressively seizing market opportunities, the Group achieved the turnaround from loss to profit with a substantial growth in operating results. The profit before income tax amounted to RMB3.001 billion, representing an increase of RMB6.577 billion as compared to 2015. The profit attributable to the equity holders of the Company amounted to RMB1.715 billion, representing an increase of RMB4.982 billion as compared to 2015. Net cash generated from operating activities amounted to RMB12.068 billion, representing an increase of 65.7% as compared to 2015. Meanwhile, the Group actively disposed non-core business assets, optimised asset mix, improved the profitability and operational efficiency of assets, actively expanded financing channels and optimised debt structure. Under the precondition of ensuring the fund flow safety, the Company greatly curtailed the liabilities scale. As a result, the debt asset ratio decreased by 3.2 percentage points to 57.9% as compared to the beginning of 2016, thereby further improving financial soundness.

Unit: RMB100 million

	For the year ended 31 December 2016	For the year ended 31 December 2015	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease (%)
Revenue	**606.32**	592.71	13.61	2.3
Profit/(Loss) before income tax	**30.01**	-35.76	65.77	-183.9
EBITDA	**126.91**	70.79	56.12	79.3
Profit/(Loss) attributable to the equity holders of the Company	**17.15**	-32.67	49.82	-152.5
Net cash generated from operating activities	**120.68**	72.85	47.83	65.7

As at 31 December 2016, the gearing ratio (total interest-bearing debts/(total interest-bearing debts + equity)) of the Group was 48.2%, representing a decrease of 4.8 percentage points from the beginning of 2016.

Unit: RMB100 million

			Increase/decrease	
	As at 31 December 2016	As at 31 December 2015	Increase/ decrease in amount	Increase/ decrease (%)
Assets	**2,426.58**	2,580.26	-153.68	-6.0
Liabilities	**1,405.44**	1,577.44	-172.00	-10.9
Interest-bearing debts	**951.32**	1,130.26	-178.94	-15.8
Equity	**1,021.14**	1,002.82	18.32	1.8
Equity attributable to the equity holders of the Company	**860.47**	837.08	23.39	2.8

II. Operating Results

(1) Combined Operating Results

1. Revenue

For the year ended 31 December 2016, the Group's total revenue (net of inter-segmental sales) increased from RMB59.271 billion for the year ended 31 December 2015 to RMB60.632 billion, representing an increase of 2.3%. This is mainly because influenced by the improvement on the market situation, selling price of the Group's commercial coal increased year-on-year, and against the year-on-year decrease of self-produced commercial coal sales volume due to decreased production and the adoption of production stoppage measures for some mines with weaker market competitiveness, the Group broadened its resource channels and expanded the proprietary trading scales, with a view to increasing its market shares, the combined effects of which resulted in a year-on-year increase of RMB4.210 billion in revenue from external sales of coal operations. The selling price of coal chemical products decreased year-on-year and external sales revenue of coal chemical operations recorded a year-on-year decrease of RMB1.397 billion. The sales of coal mining equipment products decreased year-on-year and the external sales revenue of coal mining equipment operations recorded a year-on-year decrease of RMB825 million.

Changes in revenue net of inter-segmental sales from the Group's four operating segments of coal, coal chemical, coal mining equipment, finance operations and other operations for the year ended 31 December 2016 in comparison with the year ended 31 December 2015 are set out as follows:

Unit: RMB100 million

	Revenue net of inter-segmental sales		**Increase/decrease**	
	For the year ended 31 December 2016	For the year ended 31 December 2015	Increase/ decrease in amount	Increase/ decrease (%)
Coal operations	**446.76**	404.66	42.10	10.4
Coal chemical operations	**105.18**	119.15	-13.97	-11.7
Coal mining equipment operations	**36.74**	44.99	-8.25	-18.3
Finance operations and other operations	**17.64**	23.91	-6.27	-26.2
Total	**606.32**	592.71	13.61	2.3

The proportion of revenue net of inter-segmental sales generated by each operating segment of the Group for the year ended 31 December 2016 and the year ended 31 December 2015 in the Group's total revenue are set out as follows:

	Proportion of revenue net of inter-segmental sales (%)		
	For the year ended 31 December 2016	For the year ended 31 December 2015	**Increase/ decrease in** (percentage point(s))
Coal operations	**73.7**	68.3	5.4
Coal chemical operations	**17.3**	20.1	-2.8
Coal mining equipment operations	**6.1**	7.6	-1.5
Finance operations and other operations	**2.9**	4.0	-1.1

2. *Cost of sales*

For the year ended 31 December 2016, the Group's cost of sales decreased from RMB55.167 billion for the year ended 31 December 2015 to RMB50.739 billion, representing a decrease of 8.0%.

Materials used and goods traded costs increased by 4.9% from RMB24.200 billion for the year ended 31 December 2015 to RMB25.376 billion, representing 50.0% of cost of sales, of which the goods traded cost recorded a year-on-year increase of RMB5.142 billion due to the increase in sales volume of proprietary coal trading; the Group further enhanced expense-saving and consumption-reducing measures such as centralised procurement, unit consumption reduction, quota management and repair of the obsolete and utilisation of the waste, optimised the design of mining areas and production techniques, and the volume of external purchases of raw coal for washing purpose and the self-produced commercial coal sales volume recorded a year-on-year decrease, the combining effects of which led to a year-on-year decrease of RMB1.811 billion in materials used cost of self-produced commercial coal. The materials used cost of coal chemical operations recorded a year-on-year decrease of RMB876 million, mainly due to the combined effects of the strict control of unit consumption and procurement price of raw materials by coal chemical enterprises, increase in internal sales and usage of products such as methanol and the transfer of some subsidiaries. The reduction in orders for coal mining equipment operations affected by market conditions led to a year-on-year decrease of RMB587 million in materials used cost.

Staff costs decreased by 4.2% from RMB4.230 billion for the year ended 31 December 2015 to RMB4.054 billion, representing 8.0% of cost of sales. The year-on-year decrease in staff costs was mainly due to, among others, the Group's deepening corporate reform, further enhancing controls over gross salaries, strengthening reduction on labour dispatch workforce and diminution on gross manpower required.

Depreciation and amortisation costs decreased by 7.8% from RMB6.393 billion for the year ended 31 December 2015 to RMB5.895 billion, representing 11.6% of the cost of sales. The decrease was mainly attributable to the year-on-year decrease in production volume of self-produced commercial coal of the Group, which led to the decrease in the depreciation and amortisation costs of the coal business based on the production reserve method. Combining with the facts, among others, that part of the equipment was utilised in projects under construction and transfer of some subsidiaries, the costs of depreciation and amortisation decreased year-on-year.

Repairs and maintenance costs increased by 22.0% from RMB824 million for the year ended 31 December 2015 to RMB1.005 billion, representing 2.0% of the cost of sales. The year-on-year increase in repairs and maintenance costs was mainly attributable to the control over purchase expenses of equipment and the strengthening of routine equipment repair and maintenance by the subordinate enterprises of the Group, and the increase in overhaul expenses of chemical companies.

Transportation costs and port expenses decreased by 30.0% from RMB11.735 billion for the year ended 31 December 2015 to RMB8.212 billion, representing 16.2% of the cost of sales. The decrease was mainly due to, among others, the year-on-year decrease in sales volume of the Group's seaborne coal, and the decrease in rates of railway freight and port expenses, the combined effects of which resulted in a year-on-year decrease of RMB3.323 billion in transportation costs and port expenses for coal operations.

Sales taxes and surcharges increased by 27.3% from RMB1.493 billion for the year ended 31 December 2015 to RMB1.900 billion, representing 3.7% of the cost of sales. The year-on-year increase in sales taxes and surcharges such as resource tax was mainly due to the rise in coal price.

Outsourcing mining engineering fees decreased by 12.9% from RMB1.127 billion for the year ended 31 December 2015 to RMB982 million, representing 1.9% of the cost of sales. The year-on-year decrease in outsourcing mining engineering fees was mainly due to the fact, among others, that all coal producing enterprises of the Group recorded decrease in volumes of outsourcing mining engineering and strengthened their management on outsourcing business.

Other costs decreased by 35.8% from RMB5.165 billion for the year ended 31 December 2015 to RMB3.315 billion, representing 6.6% of the cost of the sales. The decrease was mainly attributable to the year-on-year decrease in other costs such as medium-and-small mining engineering expenses of the coal producing enterprises of the Group, ancillary production costs and land requisition compensation expenses.

3. *Gross profit and gross profit margin*

For the year ended 31 December 2016, gross profit of the Group increased from RMB4.104 billion for the year ended 31 December 2015 to RMB9.893 billion, representing an increase of 141.1%; and gross profit margin increased from 6.9% for the year ended 31 December 2015 to 16.3%, representing an increase of 9.4 percentage points.

The gross profit and gross profit margin of each of the Group's operating segments for the year ended 31 December 2016 and the changes as compared to the same period of 2015 are as follows:

Unit: RMB100 million

	Gross profit			Gross profit margin (%)		
	For the year ended 31 December 2016	For the year ended 31 December 2015	**Increase/ decrease (%)**	**For the year ended 31 December 2016**	For the year ended 31 December 2015	**Increase/ decrease** (percentage point(s))
Coal operations	**67.21**	1.19	5,547.9	**14.4**	0.3	14.1
Self-produced commercial coal	**65.52**	0.13	50,300.0	**23.0**	0.04	22.96
Proprietary coal trading	**2.40**	1.13	112.4	**1.3**	0.9	0.4
Coal chemical operations	**23.35**	28.74	-18.8	**22.1**	24.1	-2.0
Coal mining equipment operations	**6.74**	8.86	-23.9	**16.7**	17.8	-1.1
Finance operations and other operations	**1.27**	2.43	-47.7	**5.1**	7.7	-2.6
Group	**98.93**	41.04	141.1	**16.3**	6.9	9.4

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

(2) Operating Results of Segments

1. Coal segment

- Revenue

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

For the year ended 31 December 2016, the total revenue from coal operations of the Group increased from RMB42.106 billion for the year 31 December 2015 to RMB46.708 billion, representing an increase of 10.9%; revenue net of inter-segmental sales increased from RMB40.466 billion for the year ended 31 December 2015 to RMB44.676 billion, representing an increase of 10.4%.

For the year ended 31 December 2016, revenue from sales of self-produced commercial coal of the Group decreased from RMB29.092 billion for the year ended 31 December 2015 to RMB28.491 billion, representing a decrease of 2.1%. Revenue net of inter-segmental sales decreased from RMB28.705 billion for the year ended 31 December 2015 to RMB28.259 billion, representing a decrease of 1.6%; of which, revenue from thermal coal was RMB23.381 billion, representing a year-on-year decrease of RMB1.567 billion; revenue from coking coal was RMB4.878 billion, representing a year-on-year increase of RMB1.121 billion. For the year ended 31 December 2016, the Group's sales of self-produced commercial coal decreased by 16.87 million tonnes year-on-year to 80.67 million tonnes, leading to a decrease of RMB4.962 billion in sales revenue; and the weighted average sales price of self-produced commercial coal increased by RMB56/tonne year-on-year to RMB350/tonne, leading to an increase of RMB4.516 billion in respect of sales revenue.

Revenues from sales of proprietary coal trading increased by 41.6% from RMB12.578 billion for the year ended 31 December 2015 to RMB17.815 billion. Revenue net of other inter-segment sales increased from RMB11.369 billion for the year ended 31 December 2015 to RMB16.044 billion, representing an increase of 41.1%.

Revenue from agency services experienced a year-on-year increase of RMB5 million, reaching RMB16 million.

Changes in the Group's coal sales volume and selling price for the year ended 31 December 2016 in comparison with the year ended 31 December 2015 are set out as follows:

			For the year ended 31 December 2016		For the year ended 31 December 2015		**Increase/decrease** Increase/decrease in amount		Increase/ decrease	
			Sales volume ***(10,000 tonnes)***	**Selling price** ***(RMB/ tonne)***	Sales volume *(10,000 tonnes)*	Selling price *(RMB/ tonne)*	Sales volume *(10,000 tonnes)*	Selling price *(RMB/ tonne)*	Sales volume *(%)*	Selling price *(%)*
I.	Self-produced commercial coal	Total	**8,067**	**350**	9,754	294	-1,687	56	-17.3	19.0
		(I) Thermal coal	**7,095**	**330**	8,862	282	-1,767	48	-19.9	17.0
		1. Domestic sale	**7,054**	**329**	8,831	281	-1,777	48	-20.1	17.1
		2. Export	**41**	**419**	31	435	10	-16	32.3	-3.7
		(II) Coking coal	**972**	**502**	892	421	80	81	9.0	19.2
		1. Domestic sale	**972**	**502**	892	421	80	81	9.0	19.2
		2. Export	☆	☆	☆	☆	–	–	–	–
II.	Proprietary coal trading	Total	**4,820**	**333**	3,609	315	1,211	18	33.6	5.7
		(I) Domestic resale	**4,579**	**333**	3,417	309	1,162	24	34.0	7.8
		(II) Self-operated exports*	**10.5**	**688**	15.2	706	-4.7	-18	-30.9	-2.5
		(III) Import trading	**230**	**317**	177	396	53	-79	29.9	-19.9
III.	Import and export and domestic agency★	Total	**348**	**5**	409	3	-61	2	-14.9	66.7
		(I) Import agency	**13**	**6**	10	5	3	1	30.0	20.0
		(II) Export agency	**263**	**4**	206	4	57	0	27.7	0.0
		(III) Domestic agency	**72**	**5**	193	1	-121	4	-62.7	400.0

☆ : N/A for the period.

★ : Selling price is agency service fee.

* : Briquette export.

- Cost of sales

For the year ended 31 December 2016, cost of sales for the Group's coal operations decreased from RMB41.987 billion for the year ended 31 December 2015 to RMB39.987 billion, representing a decrease of 4.8%. Changes in major cost items are set out as follows:

Unit: RMB100 million

Item	**For the year ended 31 December 2016**	For the year ended 31 December 2015	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease (%)
Material costs	**37.97**	56.08	-18.11	-32.3
Proprietary coal trading cost★	**173.53**	122.11	51.42	42.1
Staff costs	**26.20**	29.00	-2.80	-9.7
Depreciation and amortisation	**36.99**	41.82	-4.83	-11.5
Repairs and maintenance	**7.41**	6.79	0.62	9.1
Transportation costs and port expenses	**72.91**	106.14	-33.23	-31.3
Outsourcing mining engineering fee	**9.82**	11.27	-1.45	-12.9
Sales taxes and surcharges	**15.99**	12.88	3.11	24.1
Other costs	**19.05**	33.78	-14.73	-43.6
Total cost of sales for coal operations	**399.87**	419.87	-20.00	-4.8

★ : This cost does not include transportation costs and provision for impairment of inventories that are related to proprietary coal trading.

For the year ended 31 December 2016, the Group's cost of sales of self-produced commercial coal was RMB21.939 billion, representing a year-on-year decrease of RMB7.140 billion or 24.6%; the unit cost of sales of self-produced commercial coal was RMB271.96/tonne, representing a year-on-year decrease of RMB26.20/tonne or 8.8%; the cost of proprietary coal trading was RMB17.575 billion, representing a year-on-year increase of RMB5.110 billion or 41.0%; and the unit cost of external sales of proprietary coal trading was RMB328.63/tonne, representing a year-on-year increase of RMB16.18/tonne or 5.2%.

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

Unit: RMB/tonne

Item	**For the year ended 31 December 2016**	For the year ended 31 December 2015	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease (%)
Material costs	**47.07**	57.51	-10.44	-18.2
Staff costs	**32.48**	29.74	2.74	9.2
Depreciation and amortisation	**45.85**	42.88	2.97	6.9
Repair and maintenance	**9.19**	6.96	2.23	32.0
Transportation costs and port expenses	**87.63**	106.23	-18.60	-17.5
Sales taxes and surcharges	**19.82**	13.21	6.61	50.0
Outsourcing mining engineering fee	**12.17**	11.56	0.61	5.3
Other costs	**17.75**	30.07	-12.32	-41.0
Unit cost of sales of self-produced commercial coal	**271.96**	298.16	-26.20	-8.8

For the year ended 31 December 2016, the main reasons for year-on-year change in unit cost of sales of the self-produced commercial coal of the Group were:

In respect of the decrease of RMB10.44/tonne in unit material costs, the main reason was that the Group strengthened the centralised procurement, enhanced expense-saving and consumption-reducing measures such as unit consumption reduction, consumption quota management as well as repair of the obsolete and the utilisation of the waste, optimised the design of mining areas and production techniques, and reduced the volume of external purchases of raw coal for washing purpose, the combined effects of which led to a year-on-year decrease of RMB1.811 billion in material costs.

In respect of the increase of RMB2.74/tonne in unit staff costs, the main reason was that the Group deepened corporate reform and imposed strict controls on gross salaries and gross manpower, which led to a year-on-year decrease of RMB280 million in staff costs. However, as production and sales volume of self-produced commercial coal reduced year-on-year, the unit staff costs recorded a year-on-year increase.

In respect of the increase of RMB2.97/tonne in unit depreciation and amortisation, the main reason was that coal producing enterprises of the Group utilised certain equipment in the construction projects and the depreciation and amortisation expenses which were provisioned based on the production reserve method decreased. As a result, the depreciation and amortisation costs recorded a year-on-year decrease of RMB483 million. However, as production and sales volume of self-produced commercial coal recorded a year-on-year decrease, the unit depreciation and amortisation costs recorded a year-on-year increase.

In respect of the increase of RMB2.23/tonne in unit repair and maintenance expenditure, the main reason was that each coal producing enterprise of the Group strengthened the repair and maintenance of equipment while controlling the procurement expenses of equipment, which led to a year-on-year increase of RMB62 million in the repair and maintenance costs. Combining with the effect of a year-on-year decrease in production volume and sales volume of self-produced commercial coal, the unit repair and maintenance expenditure increased.

In respect of the decrease of RMB18.60/tonne in unit transportation costs and port expenses, the main reason was that the sales volume proportion of seaborne coal of the Group decreased year-on-year and the rates of railway freight and port expenses reduced, the combined effects of which led to a year-on-year decrease of RMB3.323 billion in transportation costs and port expenses.

In respect of the increase of RMB6.61/tonne in unit sales taxes and surcharges, the main reason was that sales taxes and surcharges including resource tax, urban maintenance and construction tax as well as education surcharge recorded a year-on-year increase of RMB311 million arising from the significant year-on-year increase in the coal price of the Group.

In respect of the increase of RMB0.61/tonne in unit outsourcing mining engineering fee, the main reason was that the volume of outsourcing mining engineering of the Group decreased and the Group strengthened the management of outsourced business, which led to a year-on-year decrease of RMB145 million in outsourcing mining engineering fee. However, as production and sales volume of self-produced commercial coal reduced year-on-year, the unit outsourcing mining engineering fee recorded a year-on-year increase.

In respect of the decrease of RMB12.32/tonne in unit other costs, the main reason was that the small and medium mining project expenditure, auxiliary production expenses and land requisition compensation expenses of each coal producing enterprise of the Group decreased year-on-year, which led to a year-on-year decrease of RMB1.473 billion in other costs.

- Gross profit and gross profit margin

  For the year ended 31 December 2016, the Group's gross profit from coal operations increased by RMB6.602 billion from RMB119 million for the year ended 31 December 2015 to RMB6.721 billion; and gross profit margin increased by 14.1 percentage points from 0.3% for the year ended 31 December 2015 to 14.4%.

2. *Coal chemical operations*

- Revenue

For the year ended 31 December 2016, the Group's revenue from coal chemical operations decreased from RMB11.932 billion for the year ended 31 December 2015 to RMB10.549 billion, representing a decrease of 11.6%, and revenue net of other inter-segmental sales decreased by 11.7% from RMB11.915 billion for the year ended 31 December 2015 to RMB10.518 billion.

In 2016, the Group's external sales revenue of polyethylene decreased by RMB5 million or 0.2% from RMB2.743 billion for 2015 to RMB2.738 billion; the external sales revenue of polypropylene increased by RMB49 million or 2.2% from RMB2.183 billion for 2015 to RMB2.232 billion; the external sales revenue of urea decreased by RMB629 million or 21.9% from RMB2.870 billion for 2015 to RMB2.241 billion mainly due to the combined effects of the year-on-year decrease in the price of urea and the transfer of subsidiaries; the external sales revenue of methanol decreased by RMB541 million or 47.5% from RMB1.139 billion for 2015 to RMB598 million mainly due to the increase of internal consumption volumes sold to other chemical enterprises within the Group.

Changes in the sales volume and selling price of major chemical products of the Group are set out in the table below:

	For the year ended 31 December 2016		For the year ended 31 December 2015		**Increase/decrease**			
					Increase/decrease in amount		Increase/ decrease	
	Sales Volume *(10,000 tonnes)*	**Selling price *(RMB/ tonne)***	Sales Volume *(10,000 tonnes)*	Selling price *(RMB/ tonne)*	Sales Volume *(10,000 tonnes)*	Selling price *(RMB/ tonne)*	Sales Volume *(%)*	Selling price *(%)*
I. Olefin	**71.1**	**6,989**	67.6	7,284	3.5	-295	5.2	-4.0
1. Polyethylene	**35.8**	**7,641**	35.3	7,771	0.5	-130	1.4	-1.7
2. Polypropylene	**35.3**	**6,327**	32.3	6,751	3.0	-424	9.3	-6.3
II. Methanol◆	**40.0**	**1,496**	79.6	1,432	-39.6	64	-49.7	4.5
III. Urea	**198.0**	**1,132**	175.4	1,637	22.6	-505	12.9	-30.8

◆: including sales of methanol produced by Heilongjiang Coal Chemical Group, a subsidiary of China Coal Group with 46,400 tonnes in 2016 and 22,800 tonnes in 2015.

In addition, the external sales revenue of coke of the Group amounted to RMB1.168 billion (being revenue from self-produced coke before the transfer of China Coal Jiuxin Company and the business mode changed into proprietary trading and agency sales after the transfer), representing a decrease of RMB332 million or 22.1% as compared to RMB1.500 billion for 2015.

- Cost of sales

For the year ended 31 December 2016, the Group's cost of sales of coal chemical operations decreased from RMB9.058 billion for the year ended 31 December 2015 to RMB8.214 billion, representing a decrease of 9.3%. The details are set out below:

Unit: RMB100 million

Item	**For the year ended 31 December 2016**	For the year ended 31 December 2015	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease (%)
Material costs	**40.25**	49.01	-8.76	-17.9
Staff costs	**5.38**	4.76	0.62	13.0
Depreciation and amortisation	**16.46**	16.22	0.24	1.5
Repairs and maintenance	**2.21**	1.42	0.79	55.6
Transportation costs and port expenses	**8.33**	10.30	-1.97	-19.1
Sales taxes and surcharges	**2.25**	1.58	0.67	42.4
Other costs	**7.26**	7.29	-0.03	-0.4
Total cost of sales for coal chemical operations	**82.14**	90.58	-8.44	-9.3

The cost of sales of the major chemical products of the Group for the year ended 31 December 2016 and the changes as compared to the same period of 2015 are set out as follows:

	Cost of sales (RMB100 million)			**Unit cost of sales (RMB/tonne)**		
Item	**For the year ended 31 December 2016**	For the year ended 31 December 2015	**Increase/ decrease in amount**	**For the year ended 31 December 2016**	For the year ended 31 December 2015	**Increase/ decrease in amount**
Olefin	**34.22**	28.94	5.28	**4,812**	4,279	533
1. polyethylene	**17.67**	15.86	1.81	**4,922**	4,492	430
2. polypropylene	**16.55**	13.08	3.47	**4,690**	4,047	643
Methanol	**5.81**	9.90	-4.09	**1,452**	1,245	207
Urea	**17.68**	21.38	-3.70	**893**	1,219	-326

For the year ended 31 December 2016, the cost of sales of olefin of the Group increased by RMB528 million year-on-year to RMB3.422 billion and unit cost of sales increased by RMB533/tonne year-on-year to RMB4,812/tonne. The increase was mainly due to the combined effects of the rise in price of raw coal and the increase in external procurement of methanol resulting from maintenance of equipment for producing methanol from coal. The cost of sales of methanol decreased by RMB409 million year-on-year to RMB581 million mainly due to the increase in sales costs offset by internal sales. The unit cost of sales increased by RMB207/tonne year-on-year to RMB1,452/tonne, which was mainly affected by the rise in price of raw coal. The cost of sales of urea decreased by RMB370 million year-on-year to RMB1.768 billion and unit cost of sales decreased by RMB326/tonne year-on-year to RMB893/tonne. The decrease in cost of sales was mainly due to the Company's efforts in strengthening cost management and control, the decrease in unit cost of production as a result of a year-on-year increase in production volume, the year-on-year decrease in freights resulting from the adjustment in sales flow and terms of delivery as well as the combined effects of the transfer of Lingshi Chemical Company during the reporting period.

- Gross profit and gross profit margin

For the year ended 31 December 2016, the gross profit of the Group's coal chemical operations decreased by RMB539 million from RMB2.874 billion for year ended 31 December 2015 to RMB2.335 billion, and the gross profit margin decreased from 24.1% for the year ended 31 December 2015 to 22.1%, representing a decrease of 2.0 percentage points. This was mainly due to a year-on-year decrease in price of polyethylene, polypropylene and urea, the rise in price of raw materials such as coal as well as the combined effects of transfer of certain subsidiaries.

3. *Coal mining equipment segment*

- Revenue

For the year ended 31 December 2016, the Group's revenue from the coal mining equipment operations decreased from RMB4.980 billion for the year ended 31 December 2015 to RMB4.029 billion, representing a decrease of 19.1%, of which the revenue net of inter-segmental sales decreased from RMB4.499 billion for the year ended 31 December 2015 to RMB3.674 billion, representing a decrease of 18.3%. This was mainly due to the reason that affected by the lagging recovery and insufficient order of the coal mining equipment market, the sales volume of coal mining equipment decreased year-on-year.

- Cost of sales

For the year ended 31 December 2016, the Group's cost of sales for the coal mining equipment operations decreased from RMB4.094 billion for the year ended 31 December 2015 to RMB3.355 billion, representing a decrease of 18.1%. The details are set out as follows:

Unit: RMB100 million

Item	**For the year ended 31 December 2016**	For the year ended 31 December 2015	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease (%)
Materials used and goods traded costs	**18.99**	24.86	-5.87	-23.6
Staff costs	**5.58**	5.02	0.56	11.2
Depreciation and amortisation	**2.92**	2.96	-0.04	-1.4
Repairs and maintenance	**0.53**	0.45	0.08	17.8
Transportation costs	**0.83**	0.85	-0.02	-2.4
Sales taxes and surcharges	**0.49**	0.21	0.28	133.3
Other costs	**4.21**	6.59	-2.38	-36.1
Total costs of sales of coal mining equipment operations	**33.55**	40.94	-7.39	-18.1

- Gross profit and gross profit margin

For the year ended 31 December 2016, the gross profit of the Group's coal mining equipment operations segment decreased by RMB212 million from RMB886 million for the year ended 31 December 2015 to RMB674 million; and the gross profit margin decreased from 17.8% for the year ended 31 December 2015 to 16.7%, representing a decrease of 1.1 percentage points.

4. *Finance operations and other operations*

The Group's financial and other operating segments mainly include Finance Company, thermal power generation and other operations. For the year ended 31 December 2016, the Group's total revenue from finance operations and other operations decreased from RMB3.167 billion for the year ended 31 December 2015 to RMB2.490 billion, representing a decrease of 21.4%. The revenue net of inter-segmental sales decreased from RMB2.391 billion for the year ended 31 December 2015 to RMB1.764 billion, representing a decrease of 26.2%, which was mainly due to year-on-year decrease in revenue from other operations as a result of the transfer of certain subsidiaries. Cost of sales decreased from RMB2.924 billion for the year ended 31 December 2015 to RMB2.363 billion, representing a decrease of 19.2%. Gross profit decreased by RMB116 million from RMB243 million for the year ended 31 December 2015 to RMB127 million, and gross profit margin decreased from 7.7% for the year ended 31 December 2015 to 5.1%, representing a decrease of 2.6 percentage points.

(3) *Selling, General and Administrative Expenses*

For the year ended 31 December 2016, the Group's selling, general and administrative expenses increased from RMB4.400 billion for the year ended 31 December 2015 to RMB4.750 billion, representing an increase of 8.0%, which was mainly due to the increase in the provision for impairment of trade receivables based on aging analysis method during the reporting period, and the transfer of relevant investment expenditure to this item as a result of the termination of development of certain projects under construction in the previous reporting periods.

(4) *Other Net Gains*

For the year ended 31 December 2016, other net gains of the Group increased from RMB283 million for the year ended 31 December 2015 to RMB980 million, representing an increase of 246.3%. This was mainly attributable to the recognition of other gains of RMB1.018 billion as a result of the Group's active disposal of certain assets less relevant to the principal businesses.

(5) *Profit from Operations*

For the year ended 31 December 2016, the Group's profit from operations increased by RMB6.093 billion from RMB43 million for the year ended 31 December 2015 to RMB6.136 billion. The increase was primarily attributable to the year-on-year increase of RMB6.255 billion in profit from coal operations of the Group as a result of the combined effects of, among others, the year-on-year increase in coal sales price due to the improvement of coal market conditions and effective control on costs. Under the influences of the decrease in market prices of polyethylene, polypropylene and urea as well as the disposal of certain subsidiaries, the profit from coal chemical operations recorded a year-on-year decrease of RMB331 million.

Profits from operations for major operating segments and the changes as compared to the same period of 2015 are as follows:

Unit: RMB100 million

Item	**For the year ended 31 December 2016**	For the year ended 31 December 2015	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease (%)
The Group	**61.36**	0.43	60.93	14,169.8
Of which: Coal operations	**40.70**	-21.85	62.55	-286.3
Coal chemical operations	**21.26**	24.57	-3.31	-13.5
Coal mining equipment operations	**1.17**	1.21	-0.04	-3.3
Finance operations and other operations	**1.71**	-0.35	2.06	-588.6

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 2016, the Group's net finance costs decreased by 6.0% from RMB3.981 billion for the year ended 31 December 2015 to RMB3.743 billion. Finance income decreased by 36.4% from RMB966 million for the year ended 31 December 2015 to RMB614 million, mainly due to the decrease in finance income as a result of the year-on-year decrease in cash and cash equivalents. Finance costs decreased by 11.9% from RMB4.947 billion for the year ended 31 December 2015 to RMB4.357 billion. This was mainly because the Group refined its capital management and greatly reduced the size of interest-bearing debts by making use of the opportunities brought by the significant increase in net cash generated from operating activities and further optimised its debt structure, as a result of which the finance costs fell correspondingly.

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

For the year ended 31 December 2016, the Group's share of profits of associates and jointly controlled entities increased from RMB362 million for the year ended 31 December 2015 to RMB608 million, representing an increase of 68.0%. This was mainly attributable to the year-on-year increase in the Group's share of profits of associates and jointly controlled entities which was calculated by equity method and recognised in proportion to its shareholding resulting from the increase in profits generated from the investees of the Group, including coal chemical, power plants and terminals during the reporting period.

(8) Profit before Income Tax

For the year ended 31 December 2016, the profit of the Group before income tax increased from RMB-3.576 billion for the year ended 31 December 2015 to RMB3.001 billion, representing an increase of RMB6.577 billion.

(9) Income Tax Expenses

For the year ended 31 December 2016, the Group's income tax expenses increased from RMB-748 million for the year ended 31 December 2015 to RMB299 million, representing an increase of RMB1.047 billion.

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

For the year ended 31 December 2016, the profit attributable to the equity holders of the Company increased from RMB-3.267 billion for the year ended 31 December 2015 to RMB1.715 billion, representing an increase of RMB4.982 billion.

III. Cash Flow

As at 31 December 2016, the balance of the Group's cash and cash equivalents amounted to RMB9.894 billion, representing a net decrease of RMB1.302 billion as compared to RMB11.196 billion as at 31 December 2015.

Net cash generated from operating activities increased by RMB4.783 billion from RMB7.285 billion for the year ended 31 December 2015 to RMB12.068 billion. This was mainly attributable to significant improvement in operating results of the Group. Meanwhile, the Group vigorously enhanced collection of trade receivables, downsized working capital used, which led to the dramatic year-on-year increase in net cash generated from operating activities.

Net cash generated from investing activities increased by RMB36.897 billion from RMB-26.322 billion for the year ended 31 December 2015 to RMB10.575 billion. This was mainly attributable to a year-on-year increase of RMB27.562 billion in cash inflow generated from the movement of fixed term deposits with initial terms exceeding three months of the Group (net inflow for the reporting period amounted to RMB14.961 billion, while net outflow for the same period amounted to RMB12.601 billion), as well as the year-on-year decrease of RMB3.853 billion in cash paid for capex such as project construction, long-term assets purchase and equity investment, etc. In addition, the receipt of equity and asset transfer proceeds and due entrusted loan recovery led to a year-on-year increase in cash inflow.

Net cash generated from financing activities decreased by RMB36.050 billion from RMB12.099 billion for the year ended 31 December 2015 to RMB-23.951 billion. This was mainly attributable to the year-on-year decrease of RMB10.086 billion in cash received from borrowings, the year-on-year decrease of RMB8.978 billion in cash received from issuance of bonds, and the year-on-year increase of RMB16.054 billion in cash repayment of debts as a result of repayment of due bonds such as RMB15.0 billion medium-term notes during the reporting period as the Group vigorously curtailed liabilities scale.

IV. Liquidity and Sources of Capital

For the year ended 31 December 2016, the Group's funds were mainly derived from the proceeds generated from business operations, bank borrowings and net proceeds raised in capital markets. The Group's funds were mainly used for investments in production facilities and equipment for coal, coal chemical, coal mining equipment and power generation operations, repayment of debts payable by the Group, and the Group's working capital and general recurring expenditures.

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

V. Assets and Liabilities

(1) Property, Plant and Equipment

As at 31 December 2016, the net value of property, plant and equipment of the Group amounted to RMB128.240 billion, representing a net decrease of RMB565 million or 0.4% as compared to RMB128.805 billion as at 31 December 2015, among which, net value of buildings amounted to RMB29.386 billion, representing a proportion of 22.9%; net value of mining structures amounted to RMB15.148 billion, representing a proportion of 11.8%; net value of plant, machinery and equipment amounted to RMB36.514 billion, representing a proportion of 28.5%; and net value of construction in progress amounted to RMB43.178 billion, representing a proportion of 33.7%.

(2) Mining and Exploration Rights

As at 31 December 2016, the net value of the Group's mining and exploration rights amounted to RMB33.674 billion, representing a net increase of RMB830 million or 2.5% as compared to RMB32.844 billion as at 31 December 2015, mainly attributable to the adjustment of prepayments for mining rights of RMB1.000 billion from other non-current assets to this item due to the obtainment of the exploration rights permit for the Dahaize coal mine project of Shaanxi Company during the reporting period.

(3) Investments in Associates

As at 31 December 2016, the Group's net investment into associates amounted to RMB12.009 billion as compared to RMB11.222 billion as at 31 December 2015, representing a net increase of RMB787 million or 7.0%, mainly due to a capital increase of RMB613 million in Zhongtian Synergetic Company by the Group based on its shareholding proportions during the reporting period.

(4) Prepayments and Other Receivables

As at 31 December 2016, the Group's net value of prepayments and other receivables amounted to RMB7.424 billion, representing a decrease of RMB2.303 billion or 23.7% as compared to RMB9.727 billion as at 31 December 2015, mainly due to the fact that the Group recovered entrusted loans of RMB1.750 billion, the equity and asset transfer proceeds for the reporting period.

(5) *Borrowings*

As at 31 December 2016, the balance of borrowings of the Group amounted to RMB66.232 billion, representing a net decrease of RMB3.925 billion or 5.6% as compared to RMB70.157 billion as at 31 December 2015. This was mainly attributable to a substantial increase in operating results and net cash generated from operating activities and a corresponding decrease in loans during the reporting period, of which the balance of long-term borrowings (including the portion due within one year) was RMB59.659 billion, representing a net decrease of RMB4.840 billion as compared to RMB64.499 billion as at 31 December 2015, and the balance of short-term borrowings amounted to RMB6.573 billion, representing a net increase of RMB915 million as compared to RMB5.658 billion as at 31 December 2015.

(6) *Long-term Bonds*

As at 31 December 2016, the balance of long-term bonds of the Group amounted to RMB25.900 billion, representing a net increase of RMB4 million from RMB25.896 billion as at 31 December 2015. The increase was mainly attributable to the amortisation of medium-term notes based on the real interest method.

VI. Significant Charge of Assets

As for the year ended 31 December 2016, the Group did not have significant charge of assets. As at 31 December 2016, the carrying value of the charge of assets of the Group amounted to RMB9.530 billion, of which the carrying value of the pledged assets and mortgaged assets amounted to RMB716 million and RMB8.814 billion, respectively.

VII. Significant Investment

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

VIII. Material Acquisitions and Disposals

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

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

The goal of registration and issuance of short-term financial bonds by the Company is to replenish the working capital of the Group, adjust the debt structure and finance the relevant project of the Group according to actual needs. During the reporting period, the Company successfully registered short-term financing bonds of RMB10 billion and completed issuance of first tranche of short-term financing bonds on 3 August 2016 in an amount of RMB3 billion for a term of 365 days and at a coupon rate of 3.1%. During the reporting period, the Company did not register to issue medium-term notes.

X. Operating Risks

(1) Risks of Fluctuation in Macro Economy

The coal industry is a fundamental sector of the Chinese economy, which is closely linked to the macro economy and significantly affected by other relevant industries including electricity, metallurgy, construction materials and chemical industry. Currently, as the world's major developed economies still undergo the deep adjustment phase, China's economy has entered a new normal. There are still many unstable and uncertain factors affecting the macro economy in 2017, which may have significant impacts on the operating results of the Company. The Company will execute strict budget planning, strengthen regular monitoring and analysis, and enhance risk management so as to strive to achieve stable and orderly production and operation.

(2) Risks of Fluctuation in Product Prices

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

(3) Risks of Safe Production

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

(4) Risks of Project Investment

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

(5) Risks of Environmental Protection

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

(6) Risks of Rising Costs

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

(7) Risks of Foreign Exchange

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

XI. Contingent Liabilities

(1) Bank Guarantees

As at 31 December 2016, the Group provided guarantees for a total amount of RMB24.215 billion, of which RMB15.555 billion were guarantees provided in proportion to the Group's shareholdings to its joint ventures and associates.

(2) Environmental Protection Responsibilities

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

(3) Contingent Legal Liabilities

For the year ended 31 December 2016, the Group was not involved in any material litigation or arbitration, and to the knowledge of the Group, there is no material litigation or arbitration pending or threatened against or involving the Group.

BUSINESS PERFORMANCE

I. Principal Business Operations of the Company in 2016

The Company is a large scale energy enterprise integrating business such as coal production and trading, coal chemical operations, coal equipment manufacturing and relevant services as well as pit mouth power generation. With the advanced technology for coal mining, washing and preparation of coal, comprehensive marketing and customer service network, the Company attains a relatively strong competitive advantage in the coal industry by focusing on the principal coal business. Over the years, continuing to optimise industrial structure, vigorously develop new coal chemical operations, the Company has gained experiences over coal conversion, clean and efficient utilisation with a clear and distinct low-cost competitive advantage. Taking full advantage of professional technology for coal mining equipment, the Company has constantly improved service level to consolidate the market share and extend the industrial chain of coal.

(1) Coal Operations

In 2016, amidst the unfavourable situation of slowdown in the growth rate of macroeconomics, overcapacity in coal and continuous decline in demand, the Chinese government actively promoted the supply-side structural reform by introducing a series of policies such as overcapacity reduction, 276 days reducing production, strict governance on illegal, rule-breaking production and construction, control of the overcapacity production and unsafe production, which played an important role in stabilisation of supply and demand for coal, and promotion of sound development of the coal industry. The coal price initially declined and gradually picked up, experiencing downturn in the first quarter, stabilisation in the second quarter, significant rally in the third quarter and strong rebound in the fourth quarter.

1. Coal production

With efforts to overcome new challenges arising from cutting overcapacity and reducing production, the Company carried out coal production in a scientific way by adhering to the principle of maximum benefits, strengthened quality control of coal and reasonably arranged equipment maintenance. The Company also accelerated land acquisition and relocation work, properly coordinated overcapacity reduction, production reduction, quality enhancement and efficiency improvement. In the second half of 2016, the Company capitalised on market opportunities, especially the window period of favourable policy in the fourth quarter, and focused on production organisation and coordination between production and sales to strive to stabilise and increase production. Pingshuo Company made great efforts to tap its production potential, coordinated relocation of villages, technical renovation of open-pit mines and coal quality management, as well as proceeded production and operation steadily, achieving turnaround from loss to profit. China Coal Huajin Company utilised the advantages of safe and efficient mines, and coal type, maintained stable high yield and improved the recovery rate of clean coal to steadily enhance comprehensive profits. During the reporting period, the production volume of commercial coal reached 80.99 million tonnes, of which the production volume of thermal coal amounted to 71.27 million tonnes, and the production volume of coking coal amounted to 9.72 million tonnes.

The Company focused on the implementation of safety responsibilities and highlighted the focus of safety control so that the overall safety situation remained stable. By further deepening the construction of safety and quality standardisation, the Company witnessed that 12 coal mines met the national first class standard and the standardisation construction was extended to refinement and programming development.

The Company vigorously promoted innovative development so as to lower cost and improve efficiency for coal production via scientific innovation. Through technology optimisation, the Company reduced the numbers of working faces and constantly improved the recovery rate of resources. The Company continued to raise unit output and unit roadheading level of its mines by the application of new technology and new equipment for coal mining. The raw coal production efficiency reached 34.61 tonnes/worker-shift, representing an advanced level in the coal industry.

The Company continued to deepen environmental awareness, adhered to green development, improved product mix and gradually enhanced commercial coal quality to meet the diverse needs of customers by various measures such as separate underground mining, separate loading and separate transportation of coal, increase in coal washing rate and optimisation of washing and preparation techniques.

2. *Coal sales*

In 2016, with the rapid recovery of coal market, the Company kept a close eye on market changes, strengthened market research and analysed the needs of users to adjust the marketing strategies timely and flexibly, accurately respond to the market and strive to increase sales and yield. In addition, the Company optimised market layout, improved marketing network, reasonably controlled product flow as well as further expanded the market of local sales for coal and railway for direct arrival coal. The Company also spared no efforts to optimise customer portfolio, actively pursued the non-thermal coal market and continually expanded the presence in cement and other sectors. The Company further increased the external transportation volume of coking coal and the sales volume of coking coal increased by 9.0% year-on-year.

The Company made great efforts to improve the ability to optimise efficiency in the process of sales by enhancing quality control of coal in the entire production process, strengthening coal blending process, improving product quality and promoting the sales of self-produced coal. The Company vigorously expanded resources channels and enlarged the scale of proprietary coal trading to increase the market share, achieving sale volume of proprietary coal trading of 48.20 million tonnes, representing a year-on-year increase of 33.6%.

During the reporting period, the Company generally maintained smooth coordination between coal production and sales, and achieved sale volume of self-produced commercial coal of 80.67 million tonnes, representing an increase of 670,000 tonnes over the annual plan.

Sales volume of commercial coal (10 thousand tonnes)	**2016**	2015	Change (%)
(I) Domestic sales of self-produced coal	**8,026**	9,723	-17.5
By region: North China	**2,496**	3,015	-17.2
East China	**4,088**	4,754	-14.0
South China	**655**	1,383	-52.6
Others	**787**	571	37.8
By coal type: Thermal coal	**7,054**	8,831	-20.1
Coking coal	**972**	892	9.0
(II) Self-produced coal export	**41**	31	32.3
By region: Taiwan, China	**41**	31	32.3
By coal type: Thermal coal	**41**	31	32.3
(III) Proprietary trading	**4,820**	3,609	33.6
Of which: Domestic resale	**4,579**	3,417	34.0
Import trading	**230**	177	29.9
Self-operated exports	**10.5**	15.2	-30.9
(IV) Agency sales	**348**	409	-14.9
Of which: Import agency	**13**	10	30.0
Export agency	**263**	206	27.7
Domestic agency	**72**	193	-62.7
Total	**13,235**	13,772	-3.9

(2) Coal Chemical Operations

The Company continued to strengthen production control of coal chemicals, optimised organisation structure, established management department of coal chemicals, promoted professional management, enhanced safety assurance and management innovation, and achieved a new industry level for the coal chemical production and operation. The equipment load of Yulin Olefin Project hit a new record high for an annual output of 710,000 tonnes of polyolefin, representing a year-on-year increase of 4.0%. Tuke Fertiliser Project recorded an annual output of 1.855 million tonnes of urea, representing a year-on-year increase of 7.7%. Mengda Engineering Plastics Project maintained stable operation with high load in respect of its trial production. The olefin yield and test run hit new records of similar facilities with an annual output of 465,000 tonnes of polyolefin, laying a solid foundation for the official operation in the next stage.

With a strong emphasis on the coal chemicals technology innovations and new product research and development, the Company increased the grades of olefins, conducted transformation flexibly and firmly pushed forward new urea products development by taking into account the market demands. The coal chemicals products mix continued to be optimised and the comprehensive ability of efficiency optimisation was steadily enhanced. The Company continued to conduct benchmarking and standard attainment, and strived to improve the refined cost management, of which the cost of major coal chemical products was in the leading position in the industry.

Pursuing the concept of "being market-oriented and focusing on optimising efficiency", the Company fully utilised its advantage of centralised sales of coal chemical products, improved marketing network, explored regional markets, strengthened transport capacity assurance and lowered logistic cost so as to bring a smoother coordination between production and sales, which increased sales and efficiency of major chemical products significantly. During the reporting period, the accumulated sales volume of polyolefin accounted to 711,000 tonnes, representing a year-on-year increase of 5.2% and the sales volume of urea reached 1.980 million tonnes, representing a year-on-year increase of 12.9%. In addition, by fully utilising geographic advantage of enterprises in Ordos, the Company coordinated and organised the production and sales of chemical enterprises in the upstream and downstream industry, expanded internal purchase and supply scale of methanol product. Apart from external sales of 400,000 tonnes of methanol product in 2016, the Company also supplied 306,000 tonnes of raw material of methanol product to internal olefin enterprises. In 2016, under the circumstances where the international petroleum prices fluctuated at a low level and the price of domestic major coal chemical products fell sharply, the coal chemical segment of the Company still realised positive economic benefits, which enhanced the brand influence of China Coal.

Production and sales volume of coal chemical products (10 thousand tonnes)	**2016**	2015	Change (%)
(I) Olefin			
1. Production volume of polyethylene	**36.1**	35.3	2.3
Sales volume	**35.8**	35.3	1.4
2. Production volume of polypropylene	**34.9**	33.0	5.8
Sales volume	**35.3**	32.3	9.3
(II) Urea			
1. Production volume	**197.5**	196.3	0.6
2. Sales volume	**198.0**	175.4	12.9
(III) Methanol			
1. Production volume	**65.1**	78.6	-17.2
2. Sales volume	**40.0**	79.6	-49.7

Notes: 1. The production and sales volume of olefin do not include the production and sales volume of Mengda Engineering Plastics Project for the trial production.

2. The methanol sales volume of the Company includes sales of all proprietary methanol products amounting to 46,000 tonnes, produced by Heilongjiang Coal Chemical Group, a subsidiary of China Coal Group, excluding the internal self consumption of 306,000 tonnes.

3. Since June 2016, the production and sales data of coke of China Coal Jiuxin Company and production and sales data of urea of Lingshi Chemical Company were no longer incorporated in the scope of statistics of the Company.

(3) Coal Mining Equipment Operations

Against the unfavourable backdrop of market downturn, insufficient order and escalating rampant competitions in the coal mining equipment industry, the Company promoted cost reduction, efficiency improvement as well as cost management, strived to maintain the market share of coal mining equipment, proactively expanded accessories services, non-coal operations and overseas business to steadily push forward reform and transformation. In the next stage, the Company will seize the opportunity of coal market recovery, enhance the efforts of market exploration, and secure new order so as to ensure that the coal mining equipment operations will operate smoothly.

During the reporting period, the Company achieved RMB3.65 billion production value of coal mining equipment, representing a year-on-year decrease of 15.3%. The total production volume of coal mining equipment reached 213,000 tonnes, representing a year-on-year decrease of 7.4%, of which 6,910 units (sets) were major coal mining equipment.

	Production value (RMB100 million)			**Sales revenue (RMB100 million)**	
Coal mining equipment	**2016**	2015	Change (%)	**2016**	Percentage of operating revenue of the coal mining equipment segment (%)
Conveyor equipment	**16.0**	18.9	-15.3	**5.5**	13.6
Support equipment	**10.8**	12.1	-10.7	**7.6**	18.9
Road header	**4.4**	3.9	12.8	**0.4**	1.0
Shearer	**3.0**	4.3	-30.2	**1.7**	4.2
Electric mining motor	**2.3**	3.9	-41.0	**1.9**	4.7
Total	**36.5**	43.1	-15.3	**40.3**	–

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

2. The total sales revenue of RMB4.03 billion included revenues generated from accessories, services and trading.

(4) Coordination among Operating Sectors

The Company fully capitalised on the advantages of industrial chain, stabilised its traditional principal businesses, optimised the layout of industrial structure, and expedited industrial transformation and upgrade to continuously enhance coordinated development among the operating sectors. During the reporting period, the power plants of the Company proactively carried forward clean and efficient utilisation of coal, and consumed 1.62 million tonnes of self-produced low calorific value coal. Coal chemical projects in the regions of Inner Mongolia and Shaanxi exerted more efforts on local transformation of self-produced coal, which purchased 0.81 million tonnes of engineering coal in surrounding coal mines under construction. The segment of coal mining equipment achieved internal products sales and service revenue of RMB360 million, representing 8.9% of total sales revenue of the segment.

II. Analysis of Core Competitiveness

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

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

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

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

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

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

III. Competitive Landscape in the Industry

In 2016, the supply-side structural reform and resolving overcapacity of coal industry entered into the execution phase. No radical changes were experienced in the fundamentals of the domestic coal industry and no remarkable increase was recorded in respect of the coal demand. Affected by various factors such as cutting overcapacity, reduced production, reduction in hydropower output and coal inventory replenishment, coal price rose more than expected in the second half of 2016, which was also a reasonable adjustment to the earlier excessively low coal price. According to the data from the National Bureau of Statistics, total nationwide coal output amounted to 3.41 billion tonnes in 2016, down by 9.0% year-on-year. China National Coal Association estimated that the coal consumption of China in 2016 further decreased by 1.3% year-on-year after two consecutive years of decline. Bohai-Rim Steam-Coal Price Index was at an average of RMB460/tonne over the whole year of 2016, up by 7.7% year-on-year.

From the perspective of policy guidance, when pushing forward the de-capacity and development of advanced capacity of coal industry, the government focuses on guiding and encouraging the optimisation and integration of coal resources with an aim to develop into the strong, excellent and big specialised coal enterprises by way of expediting the reform process of state-owned enterprises. From the perspective of industry level, the operating conditions of coal enterprises gradually improve, and the worst time when nearly the whole industry making losses has passed. From the perspective of coal enterprises, with more precise understanding for overcapacity, their enthusiasm and initiative towards de-capacity have enhanced. As de-capacity has been pushed on continuously, backward production capacity is gradually eliminated, and the coal enterprises are increasing their efforts on reform and renovation, transformation and upgrading. Meanwhile, resources of coal industry will hopefully flow into superior enterprises, thus concentration and specialisation of the industry will be gradually promoted, which will propel industrial structure to move towards medium-and-high-end progressively.

The principal coal business of the Company has distinctive advantages with its leading coal mining technologies, washing and preparation techniques, production efficiency, cost control and marketing network in the industry. In 2016, by closely following market changes, the Company scheduled production plans scientifically, spared no efforts on quality and efficiency improvement, promoted reform and adjustment, and successfully realised the turnaround from loss to profit. Pingshuo Company, the major coal enterprise of the Company, possesses rich resource reserve with high coal production efficiency and convenient railway transportation. China Coal Huajin Company has stable quality of coking coal and enjoys an expanding customer base. Shanghai Energy Company is based on east China market, taking advantages of its own railway and inland water transport, and has established long-term cooperative relationships with key steel enterprises such as Baosteel and Shagang. By leveraging its own advantages, the Company will vigorously participate in the consolidation of coal resource and firmly advance structure adjustment so as to become a clean energy supplier with relatively strong international competitiveness.

IV. Industry Development Trends of the Business of the Company

The year of 2017 is an important year for implementation of the "Thirteenth Five-Year Plan" as well as a year for intensification of the supply-side structural reform. From the long-term perspective:

The position of coal as the primary energy source will remain unchanged. Coal represents more than 90% of fossil energy resources of China, and is the most stable and economical energy source with the strongest independent security. China is still in a historical stage of speeding up industrialisation and urbanisation with room for growth in total energy demand. In view of the endowments and development stage of the energy resource of China, even though its proportion in primary energy consumption decreases, the position of coal as the primary energy source will remain unchanged in a fairly long period of time.

China will resolutely implement the policy of resolving overcapacity. According to the information published by relevant national authorities, China will never change its unrelenting determination and efforts on resolving overcapacity, but will achieve a new breakthrough in terms of both depth and breadth. In the meantime, in the progress of facilitating resolving overcapacity, China will increase the adoption of market-driven and legal binding measures, apply safety standards and will, by means of eliminating backward production capacity and raising the criteria for the determination of backward production capacity, gradually eliminate excessive production capacity.

Coal price will fluctuate in a reasonable range. Currently, relevant national authorities have promulgated five major systems, including capacity reserve, reduction replacement and quota transaction, medium-and-long-term contracts, lowest and highest inventories, and a long-lasting mechanism for curbing exceptionally volatile coal price. During the practical application, the government will give full play of the dominant role of market regulation while enhancing market monitor and pricing guidance. The launches and implementation of such systems will effectively stimulate the progressive achievement of long-term and healthy development of coal industry.

V. Production and Operation Plans of the Company in 2017

In 2016, the Company focused on the annual production and operation targets, strengthened the coordination between production and sales, rationalised production schedule, optimised product mix, enhanced product quality, vigorously reduced cost and improved efficiency and strived to maintain the stable running of production and operations. During the reporting period, the Company achieved commercial coal production volume of 80.99 million tonnes and sales volume of self-produced commercial coal of 80.67 million tonnes, achieving the annual production and operation targets at a relatively satisfactory level. The Company recorded the operating revenue of more than RMB60.632 billion, representing a year-on-year increase of 2.3%. The unit cost of sales of self-produced commercial coal fell by 8.8% year-on-year. The Company realised the turnaround from loss to profit and recorded the profit before income tax of RMB3.001 billion, representing a year-on-year increase of RMB6.577 billion.

In 2017, the Company will stick to the general requirement of "quality improvement amid stability with reform and innovation", continue to promote the structural adjustment and improve the quality of development. The Company will focus on "cutting overcapacity, destocking, deleveraging, reducing costs, and remedying the weakness", vigorously improve quality and efficiency to increase the earnings level. On the premise that there will not be material changes to the markets, production volumes and the sales volumes of self-produced commercial coal, polyolefin products and urea are planned to be 80 million tonnes, 1 million tonnes and 1.85 million tonnes respectively for 2017. The Company will strive to achieve a growth in operating revenue of more than 10% year-on-year, strive to maintain the unit cost of sales of self-produced commercial coal calculated on the same calibre basis at the same level of 2016. In addition, the Company will continue to exercise strict control on the expenses and make efforts to realise stable profit increase.

Firstly, the Company will continue to optimise the distribution of production and organise production in a scientific manner. The Company will reinforce connection among production, transportation and marketing, adjust marketing strategy flexibly, and endeavour to enhance the profitability of sales.

Secondly, the Company will strictly fulfil production safety responsibility, make great efforts on prevention for major disasters and strengthen on-site safety management. The Company will continuously improve safety assurance ability and ensure safety production.

Thirdly, the Company will strengthen management and control on budget execution, and strictly carry out targeted budget management, process control and performance assessment. The Company will strengthen its ability to improve quality and efficiency so as to comprehensively promote the operational quality.

Fourthly, the Company will deepen internal reform, and strive to develop in leaner and healthier manner for stimulating its new vitality.

Fifthly, the Company will speed up the structural adjustment, and promote steadily the construction of key projects. The Company will facilitate the industrial upgrade, achieve towards medium-to-high-end target, and realise transformation development.

Sixthly, the Company will promote innovation and development, and will give better play of the support and protection functions of technological innovations.

Seventhly, the Company will continuously standardise corporate management, and focus on significant risk prevention and control so as to ensure stable development.

Due to the slowdown in current economic growth rate and great fluctuation in the coal market, 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 risk in this connection.

SIGNIFICANT EVENTS

(1) Share Capital Structure

As at 31 December 2016, the structure of the share capital of the Company was as follows:

Unit: share

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

(2) Distribution of Final Dividends for 2015

The Company's 2015 profit distribution plan was considered and approved at the Company's 2015 annual general meeting held on 21 June 2016. The net profit attributable to the equity holders of the parent company as set out in the audited consolidated financial statements of the year 2015 of the Company was negative, and no cash dividend has been distributed, and no capitalisation from capital reserves has been implemented.

(3) Amendment to the Articles of Association

On 22 March 2016, the first meeting of the third session of the Board in 2016 considered and passed the Resolution on the Amendments to the Articles of Association, pursuant to which the addition of the sale of "fertiliser" into the scope of business operations of the Company in the Articles of Association was approved; on 27 April, the second meeting of the third session of the Board in 2016 passed the Resolution on the Amendments to the Articles of Association, pursuant to which the revision of the "Audit Committee" in the Articles of Association and its appendix, being Terms of References of the Board, into "Audit and Risk Management Committee" was approved. The two resolutions above have been approved at the 2015 annual general meeting of the Company held on 21 June.

For details, please refer to relevant announcements published on the SSE Website, HKSE Website and the Company Website on 22 March, 27 April and 21 June of 2016.

(4) Transaction of Assets

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

(5) Other Significant Events

1. Matters in relation to the renunciation of the right of first refusal

On 22 March 2016, the first meeting of the third session of the Board in 2016 considered and approved the "Proposal in respect of Renunciation of the Right of First Refusal of 49% Equity Interest in Shanxi China Coal Huajin Energy Company Limited".

For details, please refer to the announcements of the Company published on the SSE Website, the HKSE Website and the Company Website on 22 March 2016.

2. Matters in relation to the registration and issuance of short-term financing bills

On 28 July 2016, as disclosed in the "Announcement on the Approved Registration of Short-Term Financing Bills of China Coal Energy", National Association of Financial Market Institutional Investors approved the registration of short-term financing bills of RMB10 billion of the Company. On 3 August 2016, as disclosed in the "Announcement on the Issue Results of the First Tranche of Short-Term Financing Bills of China Coal Energy in 2016", the Company successfully issued the first tranche of short-term financing bills of RMB3 billion in 2016.

For details, please refer to the announcements of the Company published on the websites of SSE, HKSE and the Company on 28 July 2016 and 3 August 2016.

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

On 24 August 2016, the "Resolution on the Use of Proceeds to Temporarily Supplement the Working Capital" was considered and approved on the third meeting of the third session of the Board in 2016, which approved the Company to use the idle proceeds of RMB3.3 billion to temporarily supplement the working capital and the period of use should not exceed 12 months.

For details, please refer to the announcements of the Company published on the websites of SSE, HKSE and the Company on 24 August 2016.

4. Matters in relation to the CSRC approval granted regarding the public issuance of corporate bonds

On 5 December 2016, as disclosed in the "Announcement on the CSRC Approval Granted Regarding the Public Issuance of Corporate Bonds by China Coal Energy to Qualified Investors", the Company was approved by the CSRC to carry out public issuance of corporate bonds to qualified investors with an aggregate nominal value of no more than RMB8 billion.

For details, please refer to the announcements of the Company published on the websites of SSE, HKSE and the Company on 5 December 2016.

EMPLOYEES

As at 31 December 2016, the Group had 47,113 employees in total (2015: 52,648 employees in total).

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company was dedicated to enhancing the quality of its corporate governance. As at 31 December 2016, the Company strictly complied with the "Corporate Governance Code" and "Corporate Governance Report" set out in Appendix 14 of the Hong Kong Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Company's annual results for the year ended 31 December 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 of the Hong Kong Listing Rules for the year ended 31 December 2016. The Company, having made a specific enquiry, confirmed that all Directors and Supervisors had complied with the Model Code for the year ended 31 December 2016.

REMUNERATION OF DIRECTORS AND SUPERVISORS

For the year ended 31 December 2016, no Directors or Supervisors had agreed to waive any remuneration.

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

DIVIDENDS

On 22 March 2017, pursuant to the relevant PRC laws and regulations, the Board recommended the payment of cash dividends of RMB514,531,500 to the Shareholders, representing 30% of the net profit attributable to the equity holders of the Company as at 31 December 2016, which was RMB1,715,105,000 as set out in the consolidated financial statements prepared in accordance with IFRS. The proposed dividend distribution will be made based on the Company's entire issued share capital of 13,258,663,400 shares, representing a dividend of RMB0.039 per share (inclusive of tax). Should the proposed profits distribution plan be approved by the Shareholders at the 2016 annual general meeting by an ordinary resolution, a final dividend will be distributed to the H Shareholders whose names appear on the Company's H Share register of members on 31 May 2017.

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

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

An announcement containing information in relation to the latest registration date and the period of closure of share register for attending the 2016 annual general meeting of the Company to be held in 2017 and for receiving the final dividend for the year ended 31 December 2016, as well as the dividend distribution date will be published separately when the date of the 2016 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 2016, which, among other things, will set out the record date and ex-rights date of dividend distribution for A Shares.

As at 31 December 2016, no arrangement was reached pursuant to which the Shareholders waived or agreed to waive their dividends.

ASSETS TRANSFER OF SUBSIDIARIES

On 27 April 2016, the Group entered into several equity transfer agreements with China Coal Group and its certain subsidiaries in order to transfer 100% equity interest in Xuzhou Sifang Aluminum Energy Co., Ltd., 100% equity interest in Chinacoal Handan Coal Mining Equipment Co., Ltd., 91% equity interest in Chinacoal Jiuxin Company, and 100% equity interest in Lingshi Chemical Company held by the Group. Pursuant to the equity transfer agreements, the Group shall transfer the said target equity interests to China Coal Group and its certain subsidiaries at a total consideration of RMB194.8424 million. On 26 December 2016, Shanghai Energy Company entered into an asset transfer agreement with Datun Coal and Electricity (Group) Company Limited ("Datun Coal and Electricity"), which is the subsidiary of the China Coal Group, in order to transfer the assets and liabilities of Longdong Coal Mine of Shanghai Energy Company (inclusive of coal preparation plant) to Datun Coal and Electricity. Pursuant to the asset transfer agreement, Shanghai Energy Company shall transfer the said target assets to Datun Coal and Electricity at a total consideration of RMB236.5800 million. A total gain of RMB929 million was generated from the above assets transfer during the reporting period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2016, the Company and its subsidiaries had not purchased, sold or redeemed any securities (the term "securities" has the prescribed meaning under the Hong Kong Listing Rules) of the Company.

AUDITORS

The Company has appointed PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian as its international and domestic auditor, respectively, for the year ended 31 December 2016. The financial statements of the Company prepared in accordance with IFRS have been audited by PricewaterhouseCoopers and an unqualified opinion has been issued.

ANNOUNCEMENT OF ANNUAL REPORT ON THE HKSE WEBSITE

Pursuant to the requirements of the Hong Kong Listing Rules regarding the reporting period, the 2016 annual report of the Company will set out all information disclosed in the annual results announcement for 2016 and will be disclosed on the Company Website and the HKSE Website on or before 30 April 2017.

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
Yulin Olefin (Project)	the Yulin Acetic Acid Deep Processing & Comprehensive Utilisation Project
Tuke Fertiliser (Project)	the fertiliser project at Tuke Industrial Park in Ordos
Mengda Engineering Plastics (Project)	Mengda New Energy Engineering Plastics Project

Pingshuo Inferior Coal Comprehensive Utilisation (Project)	Pingshuo Inferior Coal Comprehensive Utilisation Demonstration Project
Ordos Energy Chemical Company	China Coal Ordos Energy Chemical Company Limited
China Coal Jiuxin Company	Lingshi Chinacoal Jiuxin Coking Co., Ltd.
Lingshi Chemical Company	Lingshi Chinacoal Chemical Co., Ltd.
Zhongtian Synergetic Company	Zhongtian Synergetic Energy Company Limited
Pingshuo Company	China Coal Pingshuo Group Company Limited
China Coal Huajin Company	Shanxi China Coal Huajin Energy Company Limited
Heilongjiang Coal Chemical Group	China Coal Heilongjiang Coal Chemical Engineering (Group) Company Limited
Finance Company	China Coal Finance Co., Ltd.
Shaanxi Company	China Coal Shaanxi Yulin Energy & Chemical Company Limited
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

PricewaterhouseCoopers Zhong Tian	PricewaterhouseCoopers Zhong Tian LLP
PricewaterhouseCoopers	PricewaterhouseCoopers
Share(s)	the ordinary shares of the Company, including A Share(s) and H Share(s)
Shareholder(s)	the shareholder(s) of the Company, including holder(s) of A Shares and holder(s) of H Shares
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
RMB	RMB yuan

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

Beijing, the PRC, 22 March 2017

As at the date of this announcement, the executive director of the Company is Li Yanjiang and Peng Yi; the non-executive directors of the Company are Liu Zhiyong and Xiang Xujia; and the independent non-executive directors of the Company are Zhang Ke, Zhao Pei, and Ngai Wai Fung.

* *For identification purpose only*