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內蒙古伊泰煤炭股份有限公司

INNER MONGOLIA YITAI COAL CO., LTD.*

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

(Stock Code: 3948)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

The board of directors (the “**Board**”) of Inner Mongolia Yitai Coal Co., Ltd. (the “**Company**”) is pleased to announce the annual results of the Company and its subsidiaries (together referred to as the “**Group**”) for the year ended 31 December 2016. This announcement, containing the extract of the 2016 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of annual results. The printed version of the Company’s 2016 Annual Report will be delivered to the shareholders of the Company and available on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Company at www.yitai coal.com for perusal in due course.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Audit Committee of the Company, consisting of the Company's four independent non-executive directors, has reviewed the accounting principles and practices adopted by the Group and the Group's results for the year ended 31 December 2016. The Audit Committee has also met and discussed with the Company's external auditors, Deloitte Touche Tohmatsu, regarding the Group's audit and financial reporting matters.

FINAL DIVIDEND

The Board proposed, as calculated based on the total share capital of the Company of 3,254,007,000 shares, the distribution of cash dividend of RMB1.84 per 10 shares (tax inclusive), totalling RMB598.74 million. The 2016 annual general meeting will be temporarily scheduled to be convened by the Company on Thursday, 25 May 2017 to consider and approve the relevant proposals including the aforesaid proposals on distribution of 2016 final dividend. The Company will distribute the final dividend for 2016 to shareholders of the Company no later than 6 July 2017.

CLOSURE OF REGISTER OF MEMBERS

1. Record date and dividend distribution for holders of B shares

The Company will convene the 2016 annual general meeting on Thursday, 25 May 2017.

Under relevant regulations of China and the market practice adopted in B share market, the Company will publish a separate announcement in respect of dividend distribution to holders of B shares after the 2016 annual general meeting, which will set out the record date and ex-rights and ex-dividend date of dividend distribution for B Shares.

2. Closure of the register of members of H shares

The Company will convene the 2016 annual general meeting on Thursday, 25 May 2017. The share register of members of the Company will be closed from 25 April 2017 to 25 May 2017 (both days inclusive). In order to qualify for attending and voting at the annual general meeting, holders of H Shares of the Company should submit all the transfer documents to the Company's share registrar for H Shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at no later than 4:30 p.m. on 24 April 2017.

The share register of members of the Company will be closed from 14 June 2017 to 19 June 2017 (both days inclusive). In order to qualify for receiving dividend, holders of H shares of the Company should submit all the transfer documents to the Company's share registrar for H shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at no later than 4:30 p.m., 13 June 2017.

By order of the Board
Inner Mongolia Yitai Coal Co., Ltd.*
Zhang Donghai
Chairman

Inner Mongolia, the PRC, 23 March 2017

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Donghai, Mr. Liu Chunlin, Mr. Ge Yaoyong, Mr. Zhang Dongsheng, Mr. Zhang Jingquan, Mr. Lv Guiliang and Mr. Song Zhanyou; and the independent non-executive directors of the Company are Mr. Yu Youguang, Mr. Huang Sujian, Mr. Zhang Zhiming and Mr. Tam Kwok Ming, Benny.

* *For identification purpose only*

CONTENTS

SECTION I	DEFINITIONS	2
SECTION II	CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS	3
SECTION III	COMPANY BUSINESS PROFILE	10
SECTION IV	REPORT OF DIRECTORS	13
SECTION V	REPORT OF THE SUPERVISORY COMMITTEE	57
SECTION VI	SIGNIFICANT EVENTS	61
SECTION VII	CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS	72
SECTION VIII	DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES	82
SECTION IX	CORPORATE GOVERNANCE	100
SECTION X	RELEVANT INFORMATION ON CORPORATE BONDS	120
SECTION XI	FINANCIAL INFORMATION	124

DEFINITIONS

I. DEFINITIONS

Unless otherwise stated, the following terms shall have the following meanings in this report:

Definitions of frequently-used terms

Company or the Company	Inner Mongolia Yitai Coal Co., Ltd. (內蒙古伊泰煤炭股份有限公司)
Yitai Group	Inner Mongolia Yitai Group Co., Ltd. (內蒙古伊泰集團有限公司)
Yitai HK	Yitai Group (HongKong) Co., Ltd. (伊泰(集團)香港有限公司)
Yitai Chemical	Inner Mongolia Yitai Chemical Co., Ltd. (內蒙古伊泰化工有限責任公司)
Coal-to-oil Company	Inner Mongolia Yitai Coal-to-oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)
Zhundong Railway Company	Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)
Huzhun Railway Company	Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限公司)
Suancigou Mine	Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)
Yili Energy Company	Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司)
Yitai Xinjiang	Yitai Xinjiang Energy Co., Ltd. (伊泰新疆能源有限公司)



CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS

I. CORPORATE INFORMATION

Chinese name of the Company	內蒙古伊泰煤炭股份有限公司
Chinese abbreviation	伊泰煤炭
English name of the Company	INNER MONGOLIA YITAI COAL CO., LTD.
English abbreviation of the name of the Company	IMYCC/Yitai Coal
Legal representative	Zhang Donghai
Members of the Board	<i>Executive Directors:</i> Zhang Donghai (<i>Chairman</i>) Liu Chunlin Ge Yaoyong Zhang Dongsheng Zhang Jingquan Song Zhanyou Lv Guiliang <i>Independent non-executive Directors:</i> Yu Youguang Huang Sujian Zhang Zhiming Tam Kwok Ming, Banny
Members of the Strategy Committee	Zhang Donghai (<i>Chairman</i>) Liu Chunlin Ge Yaoyong Zhang Dongsheng Song Zhanyou Zhang Jingquan Lv Guiliang Zhang Zhiming Yu Youguang Huang Sujian Tam Kwok Ming, Banny
Members of the Audit Committee	Yu Youguang (<i>Chairman</i>) Zhang Zhiming Huang Sujian Tam Kwok Ming, Banny

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

I. CORPORATE INFORMATION (CONTINUED)

Members of the Nomination Committee	Zhang Zhiming (<i>Chairman</i>) Zhang Donghai Liu Chunlin Zhang Jingquan Yu Youguang Huang Sujian Tam Kwok Ming, Banny
Members of the Remuneration and Appraisal Committee	Huang Sujian (<i>Chairman</i>) Zhang Donghai Liu Chunlin Zhang Jingquan Zhang Zhiming Yu Youguang Tam Kwok Ming, Banny
Members of Production Committee	Zhang Donghai (<i>Chairman</i>) Ge Yaoyong Zhang Jingquan Huang Sujian Yu Youguang
Members of the Supervisory Committee	Li Wenshan Jia Xiaolan Wang Xiaodong Ji Zhifu Han Zhanchun Wang Yongliang Wu Qu
Authorized Representatives	Liu Chunlin Zhao Xin
Alternative Authorized Representative	Wong Wai Ling



CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

II. CONTACT PERSONS AND CONTACT METHODS

Board Secretary/Joint Company Secretary

Name	Zhao Xin
Address	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Telephone	0477-8565731
Facsimile	0477-8565415
E-mail	zhaoxin_yitai@126.com

III. BASIC INFORMATION OF THE COMPANY

Registered address	North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Postal code of the registered address	017000
Office address	Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
Postal code of the office address	017000
Principal place of business in Hong Kong	18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
Website	http://www.yitaicoal.com
E-mail	ir@yitaicoal.com

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Media selected by the Company for information disclosure	Shanghai Securities News, Hong Kong Commercial Daily
Websites designed by the China Securities Regulatory Commission ("CSRC") for publishing the annual report	Website designated by CSRC for publishing the B share annual report: http://www.sse.com.cn ; Website designated by The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") for publishing the H share annual report: http://www.hkexnews.hk
Place for inspection for the Company's annual report	Investor relations department of the Company and principal place of business in Hong Kong

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

V. BASIC INFORMATION ON THE COMPANY'S SHARES

Class of shares	Stock exchange	Stock abbreviation	Stock Code	Stock abbreviation before change
B shares	Shanghai Stock Exchange	Yitai B Share	900948	Yi Coal B Share (伊煤B股)
H shares	Hong Kong Stock Exchange	Yitai Coal	03948	/

VI. OTHER RELEVANT INFORMATION

		B share/Domestic	H share/Overseas
Auditor	Name	Da Hua Certified Public Accountants (Special General Partnership)	Deloitte Touche Tohmatsu
	Address	12th Floor, Building No. 7, Block No. 16, Xi Si Huan Zhong Road (西四環中路), Haidian District, Beijing	35th Floor, One Pacific Place, 88 Queensway, Hong Kong
Legal Advisor	Name	Global Law Office	Clifford Chance
	Address	15/F & 20/F, Tower 1, China Central Place, No. 81, Jianguo Road, Chaoyang District, Beijing, PRC	28th Floor, Jardine House, One Connaught Place, Central, Hong Kong
Share Registrar	Name	China Securities Depository and Clearing Corporation Limited Shanghai Branch	Computershare Hong Kong Investor Services Limited
	Address	36th Floor, China Insurance Building, 166 Lujiazui Road East, Pudong New Area, Shanghai	Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(1) Key Business Data

Unit: million tonnes

Major Operation Data	2016	2015	Increase/ Decrease (%)
Coal production	36.88	34.34	7.40
Coal sales volume	63.80	59.82	6.65
Of which: Local sales at mines	11.19	8.75	27.89
Local sales at loading facilities	5.79	6.68	-13.32
Sales via direct rail access	12.41	9.83	26.25
Sales at ports	34.41	34.56	-0.43
Railway transport volume:	85.73	83.52	2.65
Huzhun Railway Line	29.66	55.19	-46.26
Zhundong Railway Line	56.07	28.33	1.59
Coal-related chemical production	0.19	0.20	-3.81

(2) Major Accounting Data

Unit: '000 yuan Currency: RMB

Major Accounting Data	2016	2015	Change (%)
Revenue	22,317,130	19,116,172	16.74
Profit for the year	2,125,361	252,726	740.97
Profit for the year attributable to owners of the Company	1,985,762	90,501	2,094.19
Basic earnings per share (RMB)	0.61	0.03	1,933.33
Net cash flow from operating activities	8,607,789	2,758,297	212.07
	At the end of 2016	At the end of 2015	Change (%)
Net assets attributable to owners of the Company	24,015,800	22,151,423	8.42
Total assets	70,941,604	68,168,766	4.07

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

VIII. MAJOR FINANCIAL DATA IN 2016 BY QUARTERS

Unit: yuan Currency: RMB

	First quarter (January- March)	Second quarter (April-June)	Third quarter (July- September)	Fourth quarter (October- December)
Revenue	3,848,347,335.89	4,429,101,469.81	5,768,263,268.10	8,812,792,892.69
Net profits attributable to owners of the Company	23,405,873.32	429,473,556.65	401,433,435.81	1,131,449,310.27
Net profit after non-recurring profit and loss attributable to shareholders of listed companies	17,656,198.58	406,080,307.70	374,671,598.47	1,064,978,840.38
Net cash flow from operating activities	469,493,094.56	1,419,257,497.22	1,964,735,969.92	2,099,148,526.72

Note: The above financial information is based on PRC Accounting Standards

IX. ITEMS MEASURED AT FAIR VALUE

Unit: yuan Currency: RMB

Items	Balance at the beginning of the period	Balance at the end of the period	Change for the period	Amounts that affect the profit for the period
Financial Assets	58,299,082.77	30,273,027.16	-28,026,055.61	-23,767,596.31
Financial Liabilities	65,600.00	80,240.00	14,640.00	-14,640.00
Total	58,364,682.77	30,353,267.16	-28,011,415.61	-23,782,236.31

Note: The above financial information is based on PRC Accounting Standards

CORPORATE PROFILE AND MAJOR FINANCIAL INDICATORS (Continued)

X. FIVE-YEAR FINANCIAL SUMMARY

The following financial information is extracted from the regular reports of the Company prepared in accordance with the PRC Accounting Standards for Business Enterprises.

Unit: RMB0'000

	2012	2013	2014	2015	2016
Revenue and profit					
Revenue	3,246,332.47	2,506,354.91	2,539,360.49	1,956,551.81	2,285,850.50
Total operating costs	2,431,062.51	2,044,913.90	2,204,756.94	1,938,795.64	2,042,198.36
Operating costs	2,023,798.87	1,590,322.42	1,775,056.01	1,523,479.52	1,633,327.67
Cost of sales	117,518.14	140,816.55	137,926.71	102,784.19	82,148.90
General and administrative expenses	165,039.99	163,862.93	164,301.36	160,086.88	113,237.34
Finance costs	43,383.17	81,736.36	67,895.93	82,718.43	88,443.49
Other operating costs, net	81,322.33	68,175.63	59,576.93	69,726.62	125,040.97
Operating profit	838,418.07	464,815.79	349,104.68	33,456.46	267,196.81
Total profit	871,831.71	463,386.33	340,007.46	29,432.33	256,487.18
Income tax	139,943.61	70,946.75	63,875.78	4,159.67	43,950.97
Net profit	731,888.10	392,439.58	276,131.69	25,272.66	212,536.21
Profit attributable to the owners of the parent company	662,188.08	344,462.83	225,263.67	9,050.10	198,576.22
Basic earnings per share (RMB)	4.3	1.06	0.69	0.03	0.61
Assets and Liabilities					
Current assets	1,117,239.51	1,032,201.65	1,302,595.66	1,373,430.84	1,163,639.78
Non-current assets	3,019,474.85	3,516,249.11	4,571,812.20	5,443,445.63	5,930,520.58
Current liabilities	1,039,468.87	453,645.25	562,664.00	1,188,581.91	1,154,261.64
Non-current liabilities	903,358.70	1,593,364.62	2,562,078.56	2,951,459.90	3,083,068.70
Owners' equity	2,193,886.79	2,501,440.89	2,749,665.30	2,676,834.66	2,856,830.02



COMPANY BUSINESS PROFILE

I. PRINCIPLE ACTIVITIES, OPERATIONAL MODE OF THE COMPANY AND EXPLANATION FOR INDUSTRY SITUATION DURING THE REPORTING PERIOD

The Company is a large industrial group with coal production as its principal business, railway transportation as its supplementary business and coal-to-chemicals business as extension of its business. The Company directly owns and controls a total of 12 mechanized coal mines with production capacity of 45 Mtpa in operation. At present, the Company controls three main railways in operation, namely the Zhudong Railway (191.79km, including 59.35km for double line), Huzhun Railway (237.98km, including 113.79km for double line) and a special railway line for Suancigou Mine (26.85km). At the same time, the Company also holds 15% equity interest in Xin Baoshen Railway, 12.94% equity interest in Zhunshuo Railway, 10% equity interest in Mengxi-Huazhong Railway, 10% equity interest in the south Ordos railway line and 9% equity interest in Mengji Railway respectively. In addition, the Company has built the mine roads of 150 km covering its surrounding mines, with Caoyang Road as its main line in the quality-coal-rich Nalinmiao Area. The Company has kept increasing technical and equipment input in railway management for years, thus realizing interconnection with national railways. Currently, the design delivery capacity of the self-operated railways and the coal transport capacity reached 220 million tonnes/year and 100 million tonnes/year, respectively. A complete transport network covering all main mines of the Company has been established, thus creating a good condition for transporting the coal both owned by the Company and from the peripheral area. The Company possesses the world-leading indirect coal-to-liquid conversion technique and plans and constructs large-size coal-to-chemicals projects in Xinjiang and Inner Mongolia applying such technique. As a major product of the Company at present, environment-friendly and quality thermal coal which mainly serves as fuel coal for various industries in the downstream of the coal industry including thermal power, construction materials and chemicals. The Company ranked 6th among the listed coal companies according to 2016 FORTUNE China 500 enterprises.

In 2016, coal industry achieved significant results in decapacity. The coal production decline plus all kinds of incidental factors led to a change in the market expectations and sharp increase in short-term coal prices. However, the current coal demand fundamentals do not change significantly. Thus, to promote coal supply-side structural reform will be a key policy of the “13th Five-Year” period. In the future, clean and efficient utilization mainly based on coal deep processing and transformation as well as integration and intensive operation-oriented industrial transformation and upgrading are still the main trend in the development of the industry.



COMPANY BUSINESS PROFILE (Continued)

II. MATERIAL CHANGES OF PRINCIPAL ASSET OF THE COMPANY DURING THE REPORTING PERIOD

On the twenty-second meeting of the sixth session of the Board of the Company convened on 26 December 2016, the proposal relating to the Transfer to the Company of Equity Interest in Inner Mongolia Yitai Baoshan Coal Co., Ltd. was considered and approved, pursuant to which, the Company acquired 27% equity interest in Inner Mongolia Yitai Baoshan Coal Co., Ltd. held by Beijing Jielongda Investment Co., Ltd. (北京傑隆達投資有限責任公司) at a consideration of RMB129 million, and signed an equity transfer agreement. Shanghai Orient Appraisal Co., Ltd. issued the Evaluation Report regarding All Equity Interest of Shareholders of Inner Mongolia Yitai Baoshan Coal Co., Ltd. Involved in the Proposed Transfer of 27% Equity Interest Held by Beijing Jielongda Investment Co., Ltd. in Inner Mongolia Yitai Baoshan Coal Co., Ltd. to Inner Mongolia Yitai Coal Co., Ltd. (Hudongzhouzipping Zi[2016] No.1100255) (《北京傑隆達投資有限責任公司擬將其持有的內蒙古伊泰寶山煤炭有限責任公司27%股權轉讓給內蒙古伊泰煤炭股份有限公司涉及內蒙古伊泰寶山煤炭有限責任公司股東全部權益價值評估報告》(滬東洲資評報字[2016]第1100255號)) for the purpose of this transfer. After the evaluation, the appraisal value of all shareholder's equity interest in the target company as set out was RMB485,520,602.10 on the reference date of evaluation. The transfer price was determined at RMB129 million based on the said evaluation. After the transfer, the Company held 100% equity interest in Inner Mongolia Yitai Baoshan Coal Co., Ltd..

On the twenty-second meeting of the sixth session of the Board of the Company convened on 26 December 2016, the proposal relating to the Transfer of Equity Interest in Inner Mongolia Yitai Tongda Coal Co., Ltd. (內蒙古伊泰同達煤炭有限責任公司) held by the Company was considered and approved, pursuant to which, the Company transferred 36% equity interest in Inner Mongolia Yitai Tongda Coal Co., Ltd. held by it at a consideration of RMB129 million to Erdos Huijiabao Investment Company Limited (鄂爾多斯市匯家寶投資有限公司), and signed relevant equity transfer agreement. Shanghai Orient Appraisal Co., Ltd. issued the Evaluation Report regarding All Equity Interest of Shareholders of Inner Mongolia Yitai Tongda Coal Co., Ltd. Involved in the Proposed Transfer of 36% Equity Interest Held by Inner Mongolia Yitai Coal Co., Ltd. in Inner Mongolia Yitai Tongda Coal Co., Ltd. to Erdos Huijiabao Investment Company Limited (Hudongzhouzipping Zi[2016] No. 1101255) (《內蒙古伊泰煤炭股份有限公司擬將其持有的內蒙古伊泰同達煤炭有限責任公司36%股權轉讓給鄂爾多斯市匯家寶投資有限責任公司涉及內蒙古伊泰同達煤炭有限責任公司股東全部權益價值評估報告》(滬東洲資評報字[2016]第1101255號)) for the purpose of this transfer. After the evaluation, the appraisal value of all shareholder's equity interest in the target company as set out was RMB360,092,740.64 on the reference date of evaluation. The transfer price was determined at RMB129 million based on the said evaluation. After the transfer, the Company held 37% equity interest in Inner Mongolia Yitai Tongda Coal Co., Ltd..



COMPANY BUSINESS PROFILE *(Continued)*

III. ANALYSIS OF CORE COMPETITIVENESS DURING THE PERIOD

As the largest local coal enterprise in Inner Mongolia, the Company has comparative advantages over its peers by boosting its size, improving quality and efficiency, optimizing industrial structure and enhancing financial strength after near 20 years of development. The Company's footprint covers East China, South China, North China, Northeast, Central China and other areas, and the Company has also forged stable, long-term, and friendly strategic partnerships with a number of power and metallurgy consumers with an eye to mutual benefits and win-win scenarios, achieving relatively high brand effect. The Company has abundant coal reserves, superior mining conditions, modern mining technology and sustained opportunities for integration of internal and external resources. Meanwhile, the Company has always kept its operation strategy of integrating production, delivery and sales, creating new profit growth point in railway and coal-to-chemicals, which will be beneficial to the long-run stable development for its own.

Firstly, as its coal products are typical environmental-protection high-quality thermal coal, with such characteristics as medium to high calorific value, medium to low ash content, ultra-low sulphur content, ultra-low phosphorous content, and low moisture content, which is among the best in the domestic large-scale coalfield, all of which are highly competitive in the market.

Secondly, the Company has leading advantages in low-cost mining in the industry, and the major mining areas have stable ground conditions, simple geological structures, relatively thick flat-lying coal seams located at relatively shallow depths, and low methane gas concentration levels, which greatly reduced safety hazards in its mining operations, and lowered coal production costs.

Thirdly, the Company is in an advantageous position in railway transportation and has currently formed a railway transportation network, connecting Dazhun, Daqin Lines to the east, Dongwu Line to the west, Jingbao Line to the North, Shenshuo Line to the south, which centers on Jungar, Dongsheng Coalfield and spread hereof. Furthermore, several large scale coal dispatched stations, coal storage yards and transfer stations were established so as to be in favor of controlling transportation costs and promoting the transportation efficiency.

Fourthly, the Company actively expanded the coal-to-chemicals operation in terms of the world-leading coal-to-oil production technologies possessed, which could extend the Company's coal industrial chain, realize industrial transformation and upgrading, and enhance its core competitiveness and consolidate its position in the industry.

Fifthly, the Company has been adhering to the responsibilities to all shareholders, local and society while strengthening and expanding its business. It maintained an outstanding profit sharing and tax paying record for a number of years, and actively participated in local environmental governance and ecological improvement, practically achieving harmonious development of the enterprise and the society.



REPORT OF DIRECTORS

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS

In 2016, under the background of China vigorously promoting supply-side structural reform, the coal market saw a strong volatility, while the coal price experienced sinking to its bottom continuously, a sharp rebound and leveling off. In the face of such dramatic changes in the market, the Company, led by the Board of Directors and the managements, timely adjusted its strategies and seized the opportunities. In the premise of ensuring safety production and compliance production, the Company planned scientifically and arranged reasonably the production, transportation and sales of coal, actively advanced the construction, review and approval of the key projects, thus, achieved a sharp increase in results and a steady and orderly development of all businesses. The Company recorded a total asset of RMB70.9 billion, a revenue of RMB22.3 billion in 2016 and a net profit attributable to shareholders of the parent company of RMB1.986 billion.

(I) Coal sector

During the reporting period, the Company has realized production of commodity coal of 36.88 million tonnes and sales of coal of 63.80 million tonnes.

1. Coal production

On one hand, the Company strictly executed the state's limited production policy, timely adjusted all coal production plans and reasonably arrange overhaul schedule to ensure the completion of the production tasks. On the other hand, the Company, according to the advance capacity-related policies, strove for efficient mine production capacity to improve the production efficiency.

2. Transportation and sales of coal

In 2016, under the conditions of a shortage in supply, the Company strove for getting social coal sources to the largest extent by signing long-term cooperation contracts, pit-mouth exclusive sale, quantity and price linkage, expanding transportation radius and increasing the variety. Meanwhile, in the premise of ensuring stable quality and economic benefits, the Company actively carried out trade procurement to develop a number of long-term stable, faithful and quality port coal suppliers which will be powerful supplementary suppliers.

During the reporting period, the Company opened Zhunchi-Shuohuang Line for transportation business, which enabled it to become the largest shipments customer of Taiyuan-Dazhun Line. Meanwhile, the Company also was the first transportation customer after Inner Mongolia-Hebei Line was opened. Inner Mengji Line, Daqin Line and Shuohuang Line form a selective complement in transportation, completely breaking the railway transportation bottlenecks and greatly reducing the transport costs.

As to sales, in the situation of market recovery and rise in price in the second half year of 2016, the Company reduced an appropriate long-term contracted sales percentage via methods such as, managing customers by different levels, to increase and create profits.



REPORT OF DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS (CONTINUED)

(II) Railway sector

In 2016, in the face of changing coal market and fierce competition in the industry, Zhundong Railway Company and Huzhun Railway Company further improved their collection and distribution systems and optimized container management. This helped greatly increase the operation efficiency. The equipment management information system, maintenance management software and etc. were also researched and developed to control the process, reduce the cost and improve safety management levels. Meanwhile, according to changes in the market and the constantly rising in the freight fee of surrounding railways, we timely conducted on-the-spot investigations of the national railways and surrounding railways but also timely adjusted the railway freight fee, platform fee of container freight station. This helped to efficiently stabilize the customer resources, ensure the quantity of shipments but also increased the Company's revenues.

During the reporting period, Zhundong Railway and Huzhun Railway had dispatched 56.07 million tonnes and 29.66 million tonnes of coal, respectively.

(III) Coal-to-chemicals sector

Layout of coal-to-chemicals industry is an important strategic measure of the Company to extend industrial chain, achieve transformation and upgrading, and also improve its core competitiveness. China's 13th Five-year Planning for Solar Energy Development clearly pointed out that the positioning of the national energy technology reserve and capacity reserve demonstration projects shall be complied with so as to reasonably control the development pace, strengthen technology innovation and market risk assessment, strictly carry out environmental entry conditions, orderly develop deep processing of coal, and steadily advance upgrading and demonstration of the coal fuel, coal-based olefins and etc. to enhance the competitiveness of the projects and the ability to resist risks. Three of the Company's projects – Xinjiang Yili, Xinjiang Ganquanpu and Inner Mongolia Yitai – were selected to be the key deep coal processing construction coal-to-oil projects of the 13th Five-year Planning. The Company has always been committed to promoting the approval and construction of coal-to-chemicals projects.

1. Demonstration project of coal-to-oil production of 0.16 Mtpa

During the reporting period, Coal-to-oil Company strove to overcome the unfavorable situation of the decline in oil prices and rising in coal prices and tried their best to ensure a safe and stable operation of 0.16 Mtpa units in Phase I, which helped to achieve a continuous operation performance at a high level and also an annual total production of 0.1945 million tons of various types of oils and chemicals. At the same time, Coal-to-oil Company continued to increase investment in scientific research and intensify efforts of technological innovation. During the reporting period, a total of 16 utility model patents and 4 invention patents were authorized by the State Intellectual Property Office, and successfully passed the recognition of the national high-tech enterprises again. As of the end of the reporting period, Coal-to-oil Company has accumulatively over 55 utility model patents and 10 invention patents.



REPORT OF DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS (CONTINUED)

(III) Coal-to-chemicals sector (Continued)

2. Oil sales

During the reporting period, the petrochemical companies actively cooperated with Coal-to-oil Company to timely adjust marketing ideas and marketing mode according to the market situation to create new profit growth point. At the same time, it strove to maintain existing customer base, and, in the premise of ensuring stable product sales and operating risk controllable, continued to organize sales of its self-operated products. Its annual sales of various products totalled 0.3365 million tons.

3. Project construction

During the reporting period, Yitai Chemical Company, with safety and quality as the cornerstone, centralized its superior forces to promote the construction schedule and arrange and control the investment cost. It completed the design and procurement of 1.20 Mtpa of fine chemicals project, and entered the device commissioning phase. Currently, it is conducting single unit commissioning, combined commissioning, equipment purging and other work, and try to make the project achieve one-off success in the first half year of 2017.

On 8 July 2016, the EIA Report for Coal-to-oil Company's Phase II 2.00 Mtpa indirect coal liquefaction demonstration project was replied by China's Ministry of Environmental Protection. On 2 December 2016, the project obtained *The National Development and Reform Commission's Reply to the Approval of the Inner Mongolia Yitai Coal-to-oil Co., Ltd.'s 2.00 Mtpa Indirect Coal Liquefaction Demonstration Project* (FGNY No. [2016] 2540).

During the reporting period, Yitai Xinjiang rather well completed the project prep work, design ending work, warehouse management and other work. All required supporting documents for approval of the project has been replied except EIA Report. The project land use approval procedures are also being dealt with orderly.

In 2016, Yili Energy Company was focused on the approval of the project, greatly advance the process of submitting the environmental impact assessment report and energy conservation assessment report for review and properly handled the finishing work at the detailed design stage. As to the approval of the project, the preparation of Yili coal-to-oil project approval application report has started.

REPORT OF DIRECTORS (Continued)

I. DISCUSSION AND ANALYSIS ON THE OPERATIONS (CONTINUED)

(IV) Safety and environmental protection

In 2016, the Company continued to promote the safety quality standardization work to improve its safety management level. The Company implemented a safety responsibility reward and punishment assessment system, which helped to strengthen the safety production responsibility at all levels, and make clear responsibilities of all departments and persons in charge of safety management work so that they could coordinate with each other for a successful completion of a variety of safety objectives.

Suancigou, Nalinmiao No. 2 mine, Hongjingta No. 1 mine, Dadijing and Baoshan production mines successfully passed the review and won the title of 2014-2015 Coal Industry's Super Safe and Efficient Mine.

Zhundong Railway and Huzhun Railway caused no major traffic, personal casualty accidents or more severe accidents for 5,859 days and 3,696 days respectively.

Coal-to-oil Company caused no major or more severe production safety accidents. The chemical company accumulatively achieved 37.51 million safety labor hours, without any safety, quality or environment accidents.

During the reporting period, the Company's all units' environmental facilities ran steadily and efficiently. Their emissions of various pollutants were up to the corresponding national emission standards. Their solid waste collection and disposal rates all reached 100%. They successfully completed the energy conservation indicators of the "12th Five-Year" period and also successfully passed the supervision and examination of the environment/energy management systems.

II. OVERALL SITUATION AND MAJOR RESULTS REVIEW

Financial Performance

(I) Analysis on the principal business

Analysis of changes in items of the statement of comprehensive income statement and the cash flow statement

Unit: RMB'000

Item	Amount for the reporting period	Amount for the same period last year	Change (%)
Revenue	22,317,130	19,116,172	16.74
Cost of sales	(16,682,378)	(15,442,988)	8.03
Selling and distribution expenses	(820,284)	(1,017,994)	-19.42
General and administrative expenses	(1,024,559)	(1,572,629)	-34.85
Finance costs	(933,929)	(867,812)	7.62
Net cash flow from operating activities	8,607,789	2,758,297	212.07
Net cash flow from investing activities	(7,113,676)	(6,250,607)	13.81
Net cash flow from financing activities	(3,669,394)	5,071,094	-172.36
Research and development costs	48,788	103,152	-52.70

REPORT OF DIRECTORS (Continued)

II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

Financial Performance (Continued)

(I) Analysis on the principal business (Continued)

1. Revenue and cost analysis

(1) Principal business by segments

Unit: '000 yuan Currency: RMB

As of 31 December 2016	Coal	Transportation	Coal-related chemical	Others	Total
Segment revenue	20,585,042	1,760,022	1,447,700	7,693	23,800,457
Sales to external customers	20,318,680	574,826	1,415,931	7,693	22,317,130
Intersegment sales	266,362	1,185,196	31,769	–	1,483,327
Segment results					
Profit/(loss) before tax	2,220,371	413,476	(40,778)	(28,198)	2,564,871
Income tax expense					(439,510)
Profit for the year					2,125,361
Segment assets	50,172,243	13,347,769	27,819,012	524,103	91,863,127
Segment liabilities	25,877,427	5,739,124	21,171,708	515,957	53,304,216

Unit: '000 yuan Currency: RMB

As of 31 December 2015	Coal	Transportation	Coal-related chemical	Others	Total
Segment revenue	17,073,880	1,710,925	1,857,764	7,212	20,649,781
Sales to external customers	16,847,610	416,387	1,844,963	7,212	19,116,172
Intersegment sales	226,270	1,294,538	12,801	0	1,533,609
Segment results					
Profit/(loss) before tax	(240,338)	521,286	14,852	(1,477)	294,323
Income tax expense					(41,597)
Profit for the year					252,726
Segment assets	41,849,699	13,303,799	25,132,059	2,540	80,288,097
Segment liabilities	21,363,362	5,808,077	16,154,636	5,639	43,331,714

REPORT OF DIRECTORS (Continued)

II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

Financial Performance (Continued)

(I) Analysis on the principal business (Continued)

1. Revenue and cost analysis (Continued)

(1) Principal business by segments (Continued)

Synergies between each business segments

	2016		2015	
	Sales volume (ten-thousands tonnes)	Percentage	Sales volume (ten-thousands tonnes)	Percentage
Coal operation				
Sales to external customers	6,380	97.97%	5,982	98.16%
Sales to internal coal-related chemical operation	132	2.03%	112	1.84%
	Transportation volume (ten-thousands tonnes)	Percentage	Transportation volume (ten-thousands tonnes)	Percentage
Railway operation				
Internal transportation service	6,150	72%	6,594	78.95%
Transportation service to third parties	2,423	28%	1,758	21.05%
	Purchase volume (ten-thousands tonnes)	Percentage	Purchase volume (ten-thousands tonnes)	Percentage
Coal-related chemical operation				
Internal purchase	132	100%	112	97.39%
External purchase	0	0	3	2.61%

(2) Analysis on production and sales

Principal products	Production (ten-thousands tonnes)	Sales (ten-thousands tonnes)	Inventory (ten-thousands tonnes)	Increase/ decrease of production compared to last year (%)	Increase/ decrease of sales compared to last year (%)	Increase/ decrease of inventory compared to last year (%)
Thermal coal	3,688.26	6,380.44	592.98	7.41	6.65	72.99
Coal chemical products	19.45	33.65	0.92	-3.81	-17.69	-25.81

REPORT OF DIRECTORS (Continued)

II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

Financial Performance (Continued)

(I) Analysis on the principal business (Continued)

1. Revenue and cost analysis (Continued)

(3) Cost analysis

Unit: 0'000 yuan Currency: RMB

By Segment	Amount in the period	By Segment Amount for the reporting period over the total costs (%)	Amount in the same period of last year	Amount in the same period of last year over the total costs (%)	Change (%)
Coal operation	1,459,630	90.40	1,325,112	87.89	10.15
Transportation business	33,032	2.05	26,337	1.75	25.42
Coal-related chemical operation	121,646	7.53	156,040	10.34	-22.04
Other	281	0.02	248	0.02	13.46
Total	1,614,589	100.00	1,507,737	100.00	7.09

Note: The financial information above was prepared under China Accounting Standards for Business Enterprises.

(4) Information on major customers and major suppliers

The sales to top five customers was RMB4,379.95 million, accounting for 19.16% of the Company's total sales in the year, which includes RMB0 million sales to connected parties, accounting for 0% of the Company's total sales in the year.

The purchase amount from the top five suppliers was RMB1,721.79 million, accounting for 32.04% of the Company's total purchase amount in the year, which includes RMB0 million purchase amount from connected parties, accounting for 0% of the Company's total purchase amount in the year.

REPORT OF DIRECTORS (Continued)

II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

Financial Performance (Continued)

(I) Analysis on the principal business (Continued)

2. Fees

Items of statements	Balance at the end of the period (RMB'000) (or amount in the period)	Balance at the beginning of the period (RMB'000) (or amount of last period)	Percentage change (%)	Reasons for change
Selling and distribution expenses	820,284	1,017,994	-19.42	Mainly due to preferential coal unit price per ton for port fees in the period
General and administrative expenses	1,024,559	1,572,629	-34.85	Payment of arable land occupation tax in the previous period; decrease in the research and development expenses in the period

3. Research and development costs

Statement of the research and development costs

Unit: RMB million

Research and development costs in the period	48.79
Capitalized research and development in the period	0
Total research and development costs	48.79
Percentage of total contribution in research and development over operating income (%)	0.22
Percentage of capitalized research and development (%)	0



REPORT OF DIRECTORS *(Continued)*

II. OVERALL SITUATION AND MAJOR RESULTS REVIEW *(CONTINUED)*

Financial Performance *(Continued)*

(I) Analysis on the principal business *(Continued)*

4. Cash flow

As at 31 December 2016, the balance of cash and cash equivalents was RMB4,432.76 million, decreased by RMB2,173.10 million as compared with cash and cash equivalents of RMB6,605.86 million as at 31 December 2015, down by 32.90%.

The net cash inflow from operating activities increased by RMB5,849.49 million, amounting to RMB8,607.79 million for the period, as compared with that of RMB2,758.30 million for the corresponding period last year, increased by 212.07%. This was mainly due to the increase of the price of coal during the reporting period.

Net cash outflow generated from the investing activities for the period amounted to RMB7,133.68 million, representing a year-on-year increase of RMB863.07 million as compared with that of RMB6,250.61 million for the corresponding period last year, up by 13.81%. This was mainly due to increase in investment for coal mine, railway and coal-related chemical projects.

Net cash outflow from financing activities was RMB3,669.39 million, as compared with a net inflow of RMB5,071.09 million for the corresponding period last year, representing a decrease of RMB8,740.48 million. This was mainly due to repayment of borrowings during the reporting period.

5. Liquidity and capital resources

As at 31 December 2016, the Company's capital mainly came from capital generated from business operation, medium term note, bank borrowings and net proceeds from fund raising in the capital market. The capital of the Company was mainly used for acquisition of target assets, investment in production facilities and equipment for coal, coal-related chemicals and railway operations, repayment of the Company's debt, as well as the working capitals and normal recurring expenses.

The cash generated from the operational business of the Company and the credit facilities obtained from relevant banks will provide capital guarantee for the future production and operations as well as project construction.



REPORT OF DIRECTORS (Continued)

II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

Financial Performance (Continued)

(II) Statement on Major Changes in Profits due to Non-core Businesses

The Company provided a total of RMB500.38 million for assets impairment during the period, which has significantly affected the profits of the Company. The details are as follows:

1. Impairment Provision for Fixed Assets and Construction-in-Process

- (1) Savannah Hotel is located in Jungar Banner Dalu Industrial Park, which is one of the key industrial parks in the autonomous region. At present, facing weak domestic economic growth and overlap of transformation pressure and reform resistance, the overall construction process has slowed down. In addition, due to the remote location of Dalu Industrial Park, the customer flow is low, which can be satisfied entirely by Phase I project of Savannah Hotel already built and put into operation. The hotel has been sustaining losses for several consecutive years, therefore, the Company decided to suspend the construction of Phase II project of the hotel.

Impairment of fixed assets in the amount of RMB218.6 million was provided, which was calculated according to the lesser of the value and the present value of future cash flow of fixed assets.

Impairment of construction-in-process in the amount of RMB239.63 million was provided, which was calculated according to the lesser of the carrying value and the present value of future cash flow of the construction-in-process.

- (2) Due to the overload operation of part of the fixed assets of Baoshan coal mine, the service life of them have shortened, for which impairment in the amount of RMB6.18 million was provided based on calculation.

2. Provision for Impairment of Long-Term Equity Investment

Ordos Tiandi Huarun Mine Equipment Co., Ltd. ("Tiandi Huarun"), as the subsidiary of the Company, was incorporated on February 5, 2007 and mainly engages in the manufacturing, leasing and maintenance of mining equipments (excluding special equipments); distribution and sale of mining spare parts. The Registered capital of Tiandi Huarun is RMB100 million, out of which the Company contributed RMB31.5 million, accounting for 31.5% of the registered capital.

As of December 31, 2016, the unaudited total assets of Tiandi Huarun valued RMB154,699,441.18, the net assets valued RMB-2,552,314.5 and the cumulative losses of the year reach RMB16,993,379.30. In recent years, under the influence of coal market downturn, Tiandi Huarun suffered substantial losses and encountered difficulty in business operation. Therefore, the full amount of RMB250,288.45, as the long-term equity investment in Tiandi huarun, was provided by the Company for impairment losses.



REPORT OF DIRECTORS (Continued)

II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

Financial Performance (Continued)

(II) Statement on Major Changes in Profits due to Non-core Businesses (Continued)

3. Impairment Provision for Saleable Financial Assets

Due to the continuous decrease in the fair value of Qinhuangdao H Shares purchased by the Company at early stage, impairment in the amount of RMB23.77 million was provided.

4. Provision for Bad Debt

- (1) Yancheng Yongjia Materials Co., Ltd. (鹽城市永佳物資有限公司) (“Yancheng Yongjia”) had been evading the payment totaled RMB7.51 million generated from purchasing coal from the Company, in order to protect the legitimate rights and interests of the Company, the Company had reported the case to the public security department and requested it to initiate an investigation. Based on the investigation, Yancheng Yongjia was suspected of fraud. Cai Jiannong (蔡建農), the general manager of Yancheng Yongjia was arrested with the approval of the people’s procuratorate. At the same time, three houses and twelve cars owned by Lv Sujuan (呂素娟), the legal person of Yancheng Yongjia, were sealed up and seized. However, the amount of debt is much more than the value of the frozen assets, the recovery of residual funds is unlikely. Therefore, the full amount of residual funds totaled RMB7.51 million was provided by the Company for bad debts.
- (2) Considering the serious losses and business difficulties facing by Tiandi Huarun in which the Company invested and its incapacity to repay the trade payment. Therefore, other receivables in the amount of RMB8.37 million was provided by the Company for bad debts.
- (3) Other receivables from Inner Mongolia Autonomous Region Committee of Chinese Communist Youth League in the amount of RMB4 million were recovered during the period, therefore, the same amount provided at earlier stage for bad debt was switched back.
- (4) With respect to other receivables in the amount of RMB0.07 million from the goods yard of Hohhot station, in spite of the Company’ press and collection for several times, the goods yard of Hohhot station still denied repaying the money. The Company believes that recovery is unlikely and provided the full amount for bad debt in line with the principle of prudent operation.

REPORT OF DIRECTORS (Continued)

II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

Financial Performance (Continued)

(III) Analysis of assets and liabilities

1. Property, plant and equipment

As at 31 December 2016, the net book value of Company's property, plant and equipment amounted to RMB46,251,335 thousand, increased by RMB2,395,883 thousand or 5.46% as compared with RMB43,855,452 thousand as at 31 December 2015, mainly due to the addition in construction in progress of Yitai Chemical.

The Company's property, plant and equipment (net book value) as at 31 December 2016 and at 31 December 2015 were as follows:

Unit: '000 yuan Currency: RMB

	As at 31 December 2016	Percentage (%)	As at 31 December 2015	Percentage (%)
Buildings	4,724,669	10	3,717,727	8
Mining structures	2,572,599	6	2,535,469	6
Plant and machinery	4,686,721	10	3,997,520	9
Motor vehicles	221,063	0	260,596	1
Railway	10,319,774	22	6,967,851	16
Road	495,812	1	496,671	1
Office equipment and others	354,189	1	328,365	1
Construction in progress	22,596,638	50	25,551,253	58
Total	45,971,465	100	43,855,452	100

2. Trade and bills receivables

As at 31 December 2016, the net value of the Company's trade and bills receivables amounted to RMB2,332,291 thousand, decreased by RMB1,482,968 thousand as compared with RMB3,815,259 thousand as at 31 December 2015, the decrease of 38.87% was mainly due to the increase in endorsement of bills for payment.

3. Borrowings

As at 31 December 2016, the balance of the Company's borrowings amounted to RMB24,953,859 thousand, decreased by RMB1,364,707 thousand or 5.19% as compared with RMB26,318,566 thousand as at 31 December 2015, mainly due to the repayment of bank borrowings.

REPORT OF DIRECTORS (Continued)

II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

Financial Performance (Continued)

(III) Analysis of assets and liabilities (Continued)

4. Analysis of assets and liabilities

Unit: '000 yuan Currency: RMB

Item	Closing balance for the period	Closing balance for the balance over the total assets (%)	Closing balance for the last period	Closing balance for the last period over the total assets (%)	Percentage of change of closing balance for the period compared to the last period (%)	Explanation
Bill receivables	179,140,543.96	0.25	1,369,573,105.33	2.01	-86.92	Mainly due to the increase in endorsement of bills for payment
Other receivables	439,452,887.78	0.62	285,498,929.93	0.42	53.92	Mainly due to the increase in consideration receivable for equity transfer
Inventories	1,803,802,743.63	2.54	1,085,494,225.17	1.59	66.17	Mainly due to the increase in coal sales resulting from coal market improvement
Other current assets	1,434,981,320.00	2.02	1,091,201,255.90	1.60	31.50	Mainly due to the increase in the pending deduct VAT on purchase assets
Available-for-sale financial assets	8,868,152,623.66	12.50	6,567,703,810.04	9.63	35.03	Mainly due to the acquisition of shares in Guanglian Coal Chemical in the period
Fixed assets	21,827,217,312.33	30.77	16,602,706,275.96	24.36	31.47	Mainly due to the inclusion of Huzhun Railway and Talahao Mine into fixed assets
Intangible assets	1,752,127,800.15	2.47	1,295,051,121.90	1.90	35.29	Mainly due to the acquisition of land use right in the period
Other non-current assets	45,667,684.76	0.06	33,526,642.40	0.05	36.21	Mainly due to the increase in advance for highway in the period
Bills payables	1,242,329,186.18	1.76	325,150,396.75	0.48	282.08	Mainly due to the increase in payment for bills
Payments received in advance	407,455,066.78	0.57	184,400,489.03	0.27	120.96	Mainly due to the increase in sales advances received
Dividends payables	76,078,665.07	0.11	710,430.00	0.00	10,608.82	Mainly due to the subsidiaries' non-payment of dividend to minority shareholders
Non-current liabilities due within one year	1,634,584,616.00	2.30	3,417,885,060.58	5.01	-52.18	Mainly due to the decrease in the borrowings due within one year
Deferred income tax liabilities	3,378,937.85	0.00	5,018,735.10	0.01	-32.67	Mainly due to the asset retirement transfer to previous years for recognition
Long term payables	807,335,227.76	1.14	312,656,342.40	0.46	158.22	Mainly due to receipt of national special funds for development

The above financial information is based on PRC Accounting Standards.

REPORT OF DIRECTORS (Continued)

II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

Financial Performance (Continued)

(III) Analysis of assets and liabilities (Continued)

4. Analysis of assets and liabilities (Continued)

As at 31 December 2015, the gearing ratio of the Company was 60.73%. As at 31 December 2016, the gearing ratio of the Company was 59.73%, decreased by 1% as compared with last year.

The gearing ratio is net debt divided by total capital plus net debt. Net debt includes interest-bearing bank borrowings, long-term bonds, trade and bills payables, financial liabilities at fair value through profit or loss, financial liabilities included in other payables and accruals, less cash, other borrowings and short-term deposits. Capital represents equity attributable to owners of the Company.

(IV) Analysis on operational information in the industry

1. Analysis of factors causing changes in business revenue

Unit: yuan Currency: RMB

Yitai	From January to December 2016		From January to December 2015	
	Volume (million tonnes)	Unit price (RMB/tonne) (Excluding tax)	Volume (million tonnes)	Unit price (RMB/tonne) (Excluding tax)
Local sales at mines	11.19	188	8.75	140
Local sales at loading facilities	5.79	164	6.68	155
Sales via direct rail access	12.41	348	9.83	314
Sales at ports	34.41	383	34.56	339
Total	63.80	322	59.82	285

2. Analysis of factors influencing revenue from physical product sales

Unit: million tonnes

Yitai	From January to December 2016 Volume	From January to December 2015 Volume
Self-produced coal	35.56	34.55
Coal purchased externally	28.24	25.27

REPORT OF DIRECTORS (Continued)

II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

Financial Performance (Continued)

(IV) Analysis on operational information in the industry (Continued)

2. Analysis of factors influencing revenue from physical product sales (Continued)

Unit: million tonnes

Company-owned railways	From January to December 2016		From January to December 2015	
	Total throughput	Freight volume for the Company	Total throughput	Freight volume for the Company
Zhulong Railway Line	56.07	47.23	55.19	49.51
Huzhun Railway Line	29.66	14.27	28.33	16.43

3. Information on major customers

Unit: yuan Currency: RMB

During the Reporting Period, the total sales made to the top five customers was RMB4,379,946,589.49, accounting for 19.62% of the Company's sales revenue in 2016. The sales made to the largest customer were included in the abovementioned amount, accounting for 5.08% of the Company's sales revenue in 2016.

Customer name	Sales revenue	Percentage of the total sales revenue (%)
Zhejiang Zheneng Fuxing Fuel Co., Ltd. (浙江浙能富興燃料有限公司)	1,133,732,689.92	4.95
Guangdong Zhutou Power Fuel Co., Ltd. (廣東珠投電力燃料有限公司)	1,048,388,268.46	4.59
Shanghai Shenergy Fuel Co., Ltd. (上海申能燃料有限公司)	851,820,111.24	3.73
Guangzhou Zhujiang Electricity Fuel Co., Ltd. (廣州珠江電力燃料有限公司)	674,835,343.37	2.95
Jiangsu Sulong Energy Co., Ltd. (江蘇蘇龍能源有限公司)	671,170,176.50	2.94
Total:	4,379,946,589.49	19.16

REPORT OF DIRECTORS (Continued)

II. OVERALL SITUATION AND MAJOR RESULTS REVIEW (CONTINUED)

Financial Performance (Continued)

(IV) Analysis on operational information in the industry (Continued)

4. Information on major suppliers

Unit: yuan Currency: RMB

Supplier name	Purchase amount (excluding tax)
Jungar Banner Gongjiata Buerdong Coal Co., Ltd. (准格爾旗弓家塔布爾洞煤炭有限責任公司)	431,646,912.89
Yanzhou Coal Ordos Neng Hua Transportation and Sale Co., Ltd. (兗州煤業鄂爾多斯能化有限公司煤炭運銷分公司)	388,697,048.42
Erdos Rongchuntai Coal Company Limited (鄂爾多斯市榮春泰煤炭有限公司)	387,234,244.14
Inner Mongolia Huineng Coal Power Group Yangshita Coal Co., Ltd. (內蒙古匯能煤電集團羊市塔煤炭有限責任公司)	319,076,835.71
Erdos Baoyu Trading Company Limited (鄂爾多斯市寶裕商貿有限公司)	195,139,095.08
Total:	1,721,794,136.24

During the Reporting period, the total purchase amount made to the top five suppliers was RMB1,721,794,136.24, accounting for 32.04% of the Company's total purchase amount in 2016. The purchase made to the largest supplier accounts for 8.03% of the Company's total purchase amount in 2016.

III. ANALYSIS ON OPERATIONAL INFORMATION IN THE COAL INDUSTRY

1. Operating status on coal

Unit: hundreds-million yuan Currency: RMB

Type of coal	Production (tonnes)	Sales volume (tonnes)	Sales revenue	Sales costs	Gross profit
Thermal coal	36,882,605.10	63,804,372.82	205.85	145.96	59.89
Total	36,882,605.10	63,804,372.82	205.85	145.96	59.89

REPORT OF DIRECTORS (Continued)

III. ANALYSIS ON OPERATIONAL INFORMATION IN THE COAL INDUSTRY (CONTINUED)

2. Reserves of the Company's mines

Unit: tonnes

Major mining areas	Resource Reserve	Mineable reserve
Suancigou	1,300,016,200	701,136,200
Nalinmiao No. 2 mine	125,563,700	58,968,700
Hongjingta No. 1 mine	107,134,600	39,284,600
Nalinmiao No. 1 mine	23,960,000	4,160,000
Yangwangou	13,890,000	6,320,000
Fuhua	5,210,000	2,220,000
Kaida	191,710,000	110,870,000
Dadijing	80,890,060	46,866,000
Baoshan	39,290,000	22,120,000
Chengyi	15,330,000	4,530,000
Baijialiang	4,500,000	0
Talahao	865,683,200	588,213,200
Total reserves	<u>2,773,177,760</u>	<u>1,584,688,700</u>

Calculation criteria

Quantity of resources and reserves of the Company estimated as at 31 December 2016 is obtained from the resources recorded by the Ministry of Land and Resources less the used resources year by year. There had been no major changes in the Company as compared with the assumption disclosed previously. Report criteria or basis for calculating the mineral-grade reserves in the Annual Report are pursuant to the currently prevailing code standard of China: reserves corresponding grade are calculated according to Measures Management of Reserves of Production Mines (《生產礦井儲量管理辦法》), and Specifications for Coal and Peat Exploration. The reserves sheet shall be examined and verified by internal geological experts of the Company.

REPORT OF DIRECTORS (Continued)

III. ANALYSIS ON OPERATIONAL INFORMATION IN THE COAL INDUSTRY (CONTINUED)

(III) Other explanation

(1) **Mine explorations by the Company during the reporting period**

During the reporting period, the Company did not carry out exploration in its mines.

(2) **Coal mine expenditure**

Unit: RMB million

Name	Plan for 2016	Amount in the period	Ration of Completion of the plan for the year
Suancigou	101.49	70.74	69.70%
Nalinmiao No. 2 mine	30.30	23.88	78.81%
Hongjingta No. 1 mine	116.55	57.82	49.61%
Kaida	1.05	1.05	100%
Dadi	2.42	1.20	49.59%
Baoshan	3.23	2.40	74.43%
Total	<u>255.04</u>	<u>157.10</u>	<u>61.60%</u>

(3) **Construction of mines**

Talahao Mining has been transferred into fixed assets by the end of October 2016, and has been put into pilot production.

REPORT OF DIRECTORS (Continued)

III. ANALYSIS ON OPERATIONAL INFORMATION IN THE COAL INDUSTRY (CONTINUED)

(III) Other explanation (Continued)

(4) Construction contracts for coal mine

Unit: yuan Currency: RMB

Unit	Details of contract	Name of provider	Amount of contract
Suancigou Mine	Coal processing plant main plant and trestle steel structure anti-corrosion and fire-resistant engineering	Changxing Henan Construction Co., Ltd. (河南長興建設集團有限公司)	2,904,445
Talahao Mine	Industry square slope-protection and environmental protection, water protection greening engineering	Yulin Fengsheng Yuanjing Engineering Construction Co., Ltd. (榆林市楓盛遠景工程建設有限公司)	5,699,138
Hongjingta No. 1 mine	Supplement exploration on east wing of the third coal mine	Hohhot Huijinyuan Mineral Resources Exploration and Development Consulting Service Co., Ltd. (呼和浩特市匯金源礦產資源勘查開發諮詢服務有限公司)	251,100
Dadijing Mine	Disaster Recovery Office reclamation greening construction	Hohhot Huijinyuan Mineral Resources Exploration and Development Consulting Service Co., Ltd. (呼和浩特市匯金源礦產資源勘查開發諮詢服務有限公司)	531,513

(5) Procurement contracts of facilities for coal mine

Unit: yuan Currency: RMB

Unit	Details of contract	Name of provider	Amount of contract
Talahao Mine	power cables	Qingdao Hanhe Cable Co., Ltd. (青島漢纜股份有限公司)	3,355,197
Talahao Mine	Miner positioning and Wireless communication system	Tiandi (Changzhou) Automation Co., Ltd. (天地(常州)自動化股份有限公司)	1,313,541
Suancigou Mine	6 the third machine of the fully mechanized caving face for coal loading and mobile belt tail devices	Ningxia Tiandi Benniu Industry Group Co., Ltd. (寧夏天地奔牛實業集團有限公司)	12,100,000
Suancigou Mine	6 central troughs of coal loading back carrier	Jikai Hebei M&E Science and Technology Co., Ltd. (冀凱河北機電科技有限公司)	5,690,000

REPORT OF DIRECTORS (Continued)

III. ANALYSIS ON OPERATIONAL INFORMATION IN THE COAL INDUSTRY (CONTINUED)

(III) Other explanation (Continued)

(6) Coal mining of the Company

Unit: tonnes

Mine of the Company	Output of coal	
	January to December 2016	January to December 2015
Suancigou	10,237,204.12	11,613,974.02
Nalinmiao No.2 Mine	9,637,455.76	5,528,074.17
Hongjingta No. 1 Mine	8,052,471.94	6,731,628.77
Nalinmiao No. 1 Mine	0	122,560.80
Kaida	0	246,681.48
Dadijing	5,695,689.11	5,892,155.08
Baoshan	2,357,689.57	3,129,781.14
Tongda	0	143,024.00
Chengyi	8,382.24	928,963.14
Talahao	893,712.36	0
Total	<u>36,882,605.10</u>	<u>34,336,842.60</u>

(7) Cost of coal

Unit: yuan Currency: RMB

Project	Category	January to December 2016	January to December 2015
Production cost per unit of self-produced coal	Labor cost	17.88	15.91
	Raw material, fuel and power	9.12	8.49
	Depreciation and amortisation	15.65	12.93
	Other production costs	19.63	27.29
	Total production cost for coal	<u>62.28</u>	<u>64.62</u>
Cost per unit of coal purchased domestically		213.29	133.74

Note: Resource tax included in "tax and surcharge". The above financial information is based on PRC Accounting Standards.

REPORT OF DIRECTORS (Continued)

III. ANALYSIS ON OPERATIONAL INFORMATION IN THE COAL INDUSTRY (CONTINUED)

(IV) Analysis on Investment

1. Investment in securities

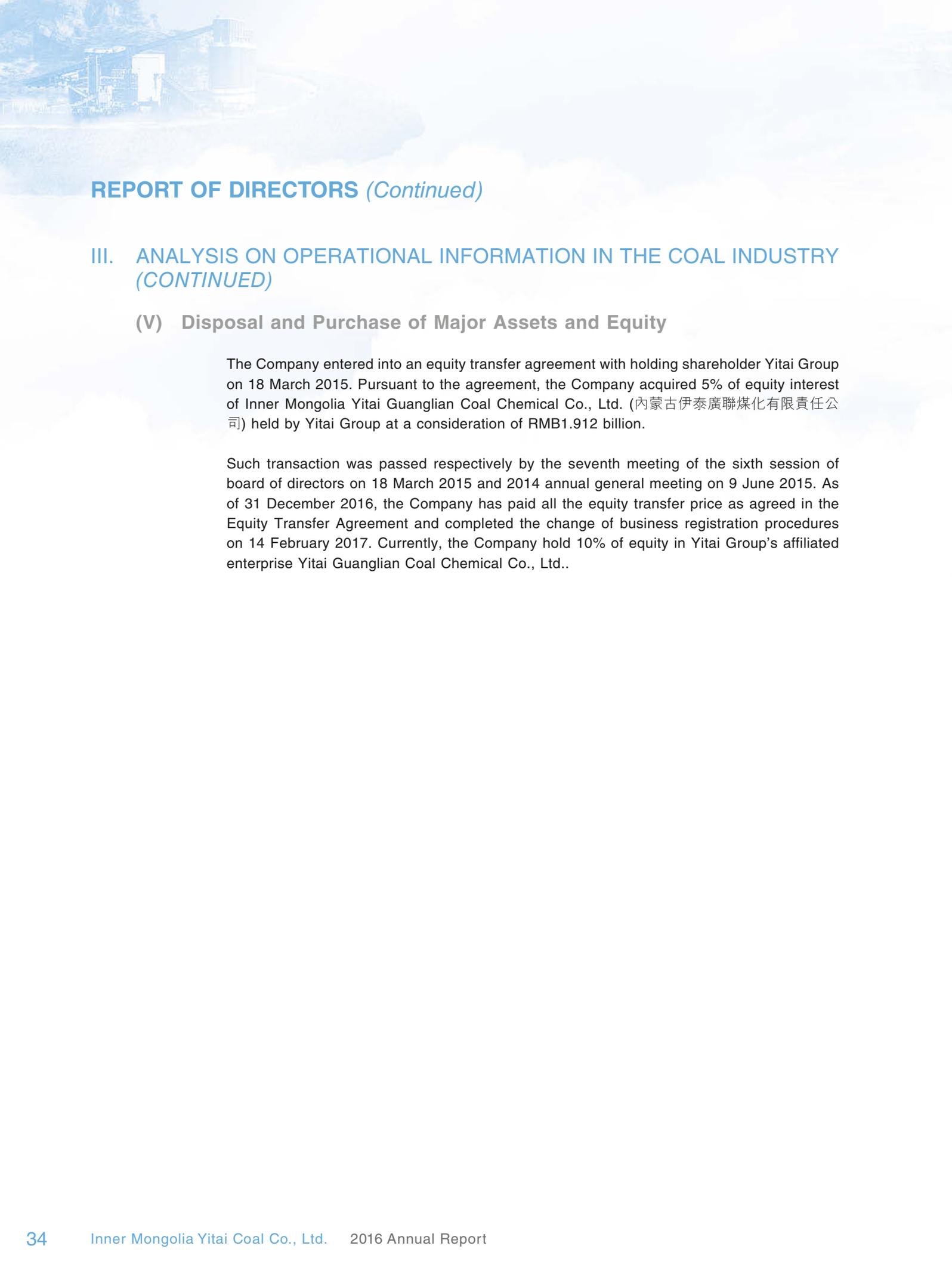
No.	Type of securities	Stock code	Stock Abbreviation	Initial investment (in million)	Shareholdings (share)	Closing Book Value (in million)	Percentage of total investment at the end of the period (%)	Profit and loss during the reporting period (in million)
1	share	3369	QHD PORT	79.24	19,013,000.00	30.27	100	-23.77
Total				79.24	19,013,000.00	30.27	100	-23.77

2. Shareholding in non-listed financial entities

Name of the investee	Initial investment (in million)	Closing book value (in million)	Profit and loss during the reporting period (in million)	Accounting item	Source of shareholding
Mianyang Technology Property Investment Fund (綿陽科技城產業投資基金)	100	43.75	14.11	Available-for-sale financial assets	Capital contribution
Total	100	43.75	14.11	/	/

Explanations on shareholding in non-listed financial entities:

Book value during the period decreased by 56.25 million due to reverse of investment income to reduce costs. According to the partnership agreement and the profit distribution plan, investment income for the project obtained during the period of fund operation shall be allocated to the partners until the partners recover their in-paid capital contribution, and clarify the amounts of investment cost and invest revenue in the distribution of cash per month.



REPORT OF DIRECTORS (Continued)

III. ANALYSIS ON OPERATIONAL INFORMATION IN THE COAL INDUSTRY (CONTINUED)

(V) Disposal and Purchase of Major Assets and Equity

The Company entered into an equity transfer agreement with holding shareholder Yitai Group on 18 March 2015. Pursuant to the agreement, the Company acquired 5% of equity interest of Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. (內蒙古伊泰廣聯煤化有限責任公司) held by Yitai Group at a consideration of RMB1.912 billion.

Such transaction was passed respectively by the seventh meeting of the sixth session of board of directors on 18 March 2015 and 2014 annual general meeting on 9 June 2015. As of 31 December 2016, the Company has paid all the equity transfer price as agreed in the Equity Transfer Agreement and completed the change of business registration procedures on 14 February 2017. Currently, the Company hold 10% of equity in Yitai Group's affiliated enterprise Yitai Guanglian Coal Chemical Co., Ltd..

REPORT OF DIRECTORS (Continued)

III. ANALYSIS ON OPERATIONAL INFORMATION IN THE COAL INDUSTRY (CONTINUED)

(VI) Analysis on major subsidiaries and investees

Unit: yuan Currency: RMB

Company name	Business nature	Principal products or services	Registered capital	Total assets	Net profit
Inner Mongolia Yitai Zhundong Railway Co., Ltd. (內蒙古伊泰准東鐵路有限責任公司)	Railway transport operations	Railway transportation	1,554,000,000	6,705,145,920.34	418,604,283.15
Inner Mongolia Yitai Huzhun Railway Co., Ltd. (內蒙古伊泰呼准鐵路有限責任公司)	Railway transport operations	Construction and investment of railways and ancillary facilities, and sale of construction materials and chemical products	2,074,598,000	6,639,843,725.04	-54,230,317.75
Inner Mongolia Yitai Coal-to-oil Co., Ltd. (內蒙古伊泰煤製油有限責任公司)	Coal chemical products	Construction of the production projects of 1# low-aromatic solvents, 85# fischer tropesch wax, light synthetic lubricants, propane, LPG and other chemical products.	2,352,900,000	3,843,854,271.62	-48,458,170.81
Inner Mongolia Yitai Jingyue Suancang Mining Co., Ltd. (內蒙古伊泰京粵酸刺溝礦業有限責任公司)	Coal trading	Processing and sale of minerals	1,080,000,000	4,147,688,018.27	403,907,178.57

1. Inner Mongolia Yitai Zhundong Railway Co., Ltd.

Inner Mongolia Yitai Zhundong Railway Co., Ltd. ("Zhundong Railway Company"), principally engaged in railway transport business, has a registered capital of RMB1,554 million and is owned as to 96.27% by the Company. Zhundong Railway Line has a total length of 191.79 kilometers, stretching from Zhoujiawan Railway Station in the Jungar Coalfield westward to Jungar Zhao in the Dongsheng Coalfield, providing a railway transportation route from the Company's mines in the Dongsheng Coalfield to Dazhun Railway Line and Huzhun Railway Line, which further connect to Tianjin port, Qinhuangdao port and Caofeidian Port through the Daqin Railway Line and the Jingbao Railway Line.

During the reporting period, Zhundong Railway Company is actively pursuing internal market-featured management and streamlining administration and decentralization, which motivates the initiative of production and operation units and the staff. In 2016, Zhundong Railway Company dispatched an aggregate of 56.07 million tonnes of coal, representing an increase of 1.59% as compared with the same period last year. Its operating revenue amounted to RMB1,378 million, representing a increase of 7.96% as compared with the same period last year. Its net profit amounted to RMB419 million, representing a increase of 13.72% as compared with the same period last year. As at 31 December 2016, Zhundong Railway Line had maintained production safety for 5,859 consecutive days without casualty accidents, major transportation accidents or fire accidents.



REPORT OF DIRECTORS (Continued)

III. ANALYSIS ON OPERATIONAL INFORMATION IN THE COAL INDUSTRY (CONTINUED)

(VI) Analysis on major subsidiaries and investees (Continued)

2. Inner Mongolia Yitai Huzhun Railway Co., Ltd.

Inner Mongolia Yitai Huzhun Railway Co., Ltd. (“Huzhun Railway Company”), which was jointly established by the Company, Inner Mongolia Mengtai Buliangou Coal Co., Ltd., Datang Electric Power Fuel Co., Ltd. and Hohhot Railway Bureau, is principally engaged in transportation of railway cargo. It has a registered capital of RMB2,074,598,000 and is owned as to 76.99% by the Company. Huzhun Railway has an length of 237.98 kilometers, stretching from Zhoujiawan Station in Jungar Banner northward to Hohhot Station of the Jingbao Railway Line. Huzhun Railway is an important channel for transporting the coal produced by the Company to the markets in eastern and northern China.

During the reporting period, Huzhun Railway Company paid more attention to expanding the market, vigorously carried out logistics marketing, and actively introduced customers, so that retail shipments increased significantly. In the unfavorable situation of a shortage in coal source, it still achieved the contrarian growth of shipments. During the reporting period, Huzhun Railway had dispatched an aggregate of 29.66 million tonnes of coal throughout the year, representing an increase of 4.71% as compared with the same period of last year. It recorded operating revenue of RMB455 million, representing a decrease of 5.91% as compared with the same period of last year. The net loss for the year amounted to RMB54 million. The total freight is lower than the previous period due to the cancellation of the charges of two items during the period. Although the quantities of shipments increased a little bit, the income did not grow; moreover, operating cost increased as a result of depreciation increase after Hunzhun Railway second-line project and the new multiple track projects during Jia-tuo section were transferred to fixed assets and interest expenses were included in the current financial expenses, which eventually leads to the net profit losses of the year.

The design and optimization program of the construction project of South Hohhot-Wangqi, the up line second Huzhun line was approved by the Autonomous Region Development and Reform Commission. All supporting documents are being improved.



REPORT OF DIRECTORS *(Continued)*

III. ANALYSIS ON OPERATIONAL INFORMATION IN THE COAL INDUSTRY *(CONTINUED)*

(VI) Analysis on major subsidiaries and investees *(Continued)*

3. Inner Mongolia Yitai Coal-to-oil Co., Ltd.

Inner Mongolia Yitai Coal-to-oil Co., Ltd. (“Coal-to-oil Company”) was principally engaged in the production and sale of coal chemical products and relevant subsidiary products. It was jointly established by the Company and Yitai Group and Inner Mongolia Mining Industry Group Co., Ltd., with a registered capital of RMB2,352.9 million, and is owned as to 51%, 9.5% and 39.5% by the Company, Yitai Group and Inner Mongolia Mining Industry Group Co., Ltd. respectively.

During the reporting period, Coal-to-oil Company safely and efficiently completed the annual overhaul and mainly solved the main problems that interfering with the production and operation, such as, internal cooler blocking, and excessive olefin content in natural gasoline and liquid paraffin, which substantially increased the daily output of devices, laying a solid foundation for the successful completion of the annual production target. At the same time, according to the requirements of governmental environmental protection management, and combined with the actual operation of the devices, a number of environmental technology transformation projects, such as, flue gas denitrification, oil and gas recovery, were completed, overall, ensuring stable operation of sulfur recovery unit. In the whole year, there was no occurrence of any environmental accidents.

In 2016, Coal-to-oil Company realized high-level consecutive running. No major injury or other more serious safety accidents happened during the whole year, and the companies’ production in various oil products and chemicals amounted to 0.1945 Mtpa, revenue and net loss for the year reached RMB818 million and RMB48.46 million, respectively. The losses of the year was caused by a loss of RMB60.98 million invested in Zhonghang Liming Jinhuaaji Petro Equipment (中航黎明錦化機石化裝備(內蒙古)有限公司) as recognized in the computation by employing equity method in current period.

Coal-to-oil Company’s Phase II 2.00 Mtpa project was officially approved by the National Development and Reform Commission on 2 December 2016. The Company will promote the project’s overall design revision and basic design work.



REPORT OF DIRECTORS *(Continued)*

III. ANALYSIS ON OPERATIONAL INFORMATION IN THE COAL INDUSTRY *(CONTINUED)*

(VI) Analysis on major subsidiaries and investees *(Continued)*

4. Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd.

Inner Mongolia Yitai Jingyue Suancigou Mining Co., Ltd. (“Suancigou Mine”) was jointly established by the Company, Beijing Jingneng Thermal Power Co., Limited (北京京能電力股份有限公司) and Shanxi Yudean Energy Co., Ltd. (山西粵電能源有限公司) on 18 September 2007. It has a registered capital of RMB1,080 million and is owned as to 52% by the Company. Suancigou Mine has a designed production capacity of 12 million tonnes per annum and is equipped with appropriately-sized coal washing plants and a special railway line of 26.85 miles for Suancigou.

During the reporting period, Suancigou mine amended and improved all safety management systems, strictly solved the key and difficult safety problems, and carried out special safety activities, which helped to strengthen safety management basis, and effectively promote the work of safety production. In the whole year, it put an end to minor injuries or any more severe accidents, and also occupational disease cases. Meanwhile, it passed the inspection by the Inner Mongolia Autonomous Region Safety Supervision Bureau as to the safety and quality standardization and was awarded the Class-A Mine of National Safety and Quality Standardization Mine.

At the same time, Suancigou Mine made an overall plan of the production time based on the policy and real situation of coal mine, strengthened equipment maintenance, ensured the rate of running machines, and achieve lower cost, better quality and higher efficiency through delicacy management. Production volume of raw coal amounted to 10.24 million tonnes, and the total sales revenue and net profit for the year amounted to RMB1,538 million and RMB404 million, respectively.



REPORT OF DIRECTORS *(Continued)*

III. ANALYSIS ON OPERATIONAL INFORMATION IN THE COAL INDUSTRY *(CONTINUED)*

(VI) Analysis on major subsidiaries and investees *(Continued)*

5. Subsidiaries not being controlled by the Company

Inner Mongolia Yitai Finance Company Limited (內蒙古伊泰財務有限責任公司) (“Finance Company”) was established in July 2015, jointly funded by the Company and Yitai group. The Company held 40% of its shares. The setting up and operations of Finance Company expanded the scope of fund concentration and improved the efficiency of the use of funds, better meeting the fund needs of the Company. As of the end of the reporting period, there have been a total of 62 member units having business dealings with the Finance Company, which handled a total of 29,700 deals of settlement business of all kinds and accumulated a total settlement amount of RMB215,319 million.

Inner Mongolia Jingtai Power Generation Co., Ltd was co-invested and founded by the Company, Beijing Jingneng Power Co., Ltd. and Shanxi Yuedian Energy Co., Ltd., which is owned as to 29% by the Company, and the main business scope covers coal gangue power generation, sales and heat supply. During the reporting period, it has resulted in a total profit of RMB6.15 million.

During the reporting period, Xin Baoshen Railway Co., Ltd., in which, the Company held 15% shares, achieved a shipment of 21.22 million tons of goods and a total annual profit of RMB83.18 million.

During the reporting period, Mengji Railway Co., Ltd., in which, the Company held 9% shares, actively cooperated with the railway bureau to take effective measures and such policies as freight adjustment and being main contractor of bulk cargo logistics with an aim to promote its shipments and create its revenues. In 2016, it recorded a total revenue of RMB6,066.34 million and a total net profit of RMB507.93 million.



REPORT OF DIRECTORS (Continued)

IV. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT

(I) Dynamics and trend of the industry

At present, China's economic development has entered a new normal stage. With the optimization of the economic structure, change in the mode of development, the proportion of clean energy increases. But as the main energy of China, the coal's status will not change in a short term. It is expected that, at the end of the 13th Five-Year Plan, the proportion of coal in China's energy consumption will still reach 55%. In recent years, affected by the economic slowdown, the adjustment of energy structure and many other factors, coal demand fell sharply, while there was a continuous excessive supply capacity, causing a serious imbalance between supply and demand, thus, resulting in a decline in coal enterprises' economic benefits in general, and a rapid expanded loss in the industry. On 5 February 2016, the State Council issued Opinions on Resolving Overcapacity of Coal Industry to Get Out of Difficulties and Achieve Development (GF [2016] No. 7). The document pointed out that in 3 to 5 years since 2016, the coal industry would exit approximately 0.5 billion tons of production capacity and reduce approximately 0.5 billion tons of production capacity for restructuring. The document was a programmatic coal supply-side reform file. Thereafter, the State Administration of Work Safety and the State Administration of coal Mine Safety jointly issued Opinions on Supporting Resolving Overcapacity of Steel and Coal Industry to Get Out of Difficulties and Achieve Development (AJGS [2016] No.38) to require all coal mines throughout the country to re-determine the production capacity as per 276 working days in a year. Such re-determined production capacity shall be the basis for the coal mines enterprises to organize their production. With the implementation of the policy of limited production and coal demand growth, the coal market in the second half of 2016 gradually picked up and most of the coal enterprises made a profit instead of suffering a loss. But at present, the fundamentals of the coal demand has not changed significantly, there is still a lack of solid foundation for the smooth operation of the coal economy. To resolve excess capacity, and promote the coal supply and demand balance will still be a key policy in the next few years. In 2017, under the regulation and control by the market and policy and affected by coal production capacity exit, reduction of production, international market and many other factors, it is expected that the imbalance situation between supply and demand of the national coal market will be eased and coal prices will fluctuate in a reasonable range.



REPORT OF DIRECTORS *(Continued)*

IV. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT *(CONTINUED)*

(II) Development strategies of the company

2017 is a year full of challenges and opportunities. The Company will fully grasp the timing when the state is implementing supply-side reform, while maintaining coordination and steady development of coal production, transportation and sales, in order to steadily promote the approval, construction and operation of the Company's coal chemical projects to accelerate the pace of industrial upgrading and enhance the core competitiveness of the Company.

First, we will take advantage of the government's move to accelerate consolidation of coal resources and eliminate obsolete production capacity to integrate internal and external resources, and to enrich the strategic resource reserve of the Company.

Second, the Company will, according to market conditions, timely adjust railway freight standards and optimize transport organization, to attract customers with shipping needs so as to improve operating income.

Third, we will develop clean coal technology, improve added value of products and extend the coal industry chain. Dedicated to becoming a leader of the coal deeply processing industry, the Company aims to improve the overall conversion efficiency through technological innovation and extend its industrial chain by gradually expounding strategy and overall planning new coal chemical projects, so as to accelerate the industrial upgrading.

Fourth, we will continue to improve the production safety mechanism and perform environmental social responsibilities. The Company will continue to adhere to the principle of "safety-foremost with prevention-oriented and comprehensive treatment", effectively prevent accidents, strengthen safety investment and management and promote building of a vocational health system to further improve the level of production safety. We will maintain the effective functioning of the ISO14001 environment management system, scale up comprehensive utilization of resources and ecological environment protection in mining areas, and make the Company's mines intrinsically safe, resource-conserving, eco-friendly, socially harmonious, resources highly utilized, clean and efficient ones with guaranteed safety, considerable economic benefits and less environmental pollution.

Fifth, the Company will continue to deepen the reform of management, conduct trial internal market-oriented operation and decentralize personnel management, compensation management, performance management and other powers, with an aim to effectively stimulate the subjective initiatives of the production and operation units and the employees.

REPORT OF DIRECTORS (Continued)

IV. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT (CONTINUED)

(III) Business plan

	Expected in 2017	Increase/decrease	Basis
Production volume (million tonnes)	38.04	Increased by 3.15% compared with the volume in 2016	Determined on the internal production capacity and plan of the Company
Sales volume (million tonnes)	69.45	Increased by 8.86% compared with the volume in 2016	Determined on the market demand
Unit cost of sales (RMB/per tonne)	305.36	Increased by 20.67% compared with the unit cost of sales in 2016	Determined on the internal estimate of the Company

* The operation target and estimation may expose to risks, uncertainties and assumptions. The actual outcome may differ materially from the these statements. Such statements do not constitute actual commitments to investors. Investors should be aware that undue reliance on or use of such information may lead to risks of investment.

In 2017, affected by the adjustment of energy structure, environmental pollution management and many other factors, the coal demand will not increase sharply, so overcapacity will still generate pressure on prices. The Company will do well in all of its work, and strive to achieve a development trend of keeping stable development while improving the quality and making progress.



REPORT OF DIRECTORS *(Continued)*

IV. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT *(CONTINUED)*

(III) Business plan *(Continued)*

1. To Make Unremitting Efforts to Consolidate the Company's Safety Foundation.

First of all, the Company will strictly comply with national and industry standards, firmly establish the red line consciousness of the safety development, standardize the operation of the occupation health and safety management system, with an aim to continuously improve the Company's level of safety and quality standardization and the ability of safety and risk prevention and control. Secondly, the Company will carry out special safety inspection and increase risk investigation and governance efforts to effectively solve the outstanding problems affecting the production safety, thus, to effectively prevent accidents. Thirdly, the Company will further strengthen the construction of emergency rescue system, improve emergency organization, refine emergency plans and strengthen emergency rescue training and emergency drills. Finally, the Company will intensify supervision on the safety and quality management work of the projects under construction to make preparations for the potential risks and ensure the engineering construction quality of the projects.

2. To Plan Scientifically the Linkage of Coal Production, Transportation and Sales to Create Benefits.

As to the coal production, it is required to strictly comply with the national industrial policies to reasonably organize production, take effective measures to effectively give play to the advantage of coal mines, release advanced productivity; continue to carry out the technological innovation and technical transformation and actively advance the research, promotion and application of new technological, high-yield and high efficient mining equipment and intelligent fully mechanized coal mining work-level equipment; improve coal quality management consciousness, and, by reducing the gangue content and other ways of improving quality and efficiency, constantly strengthen coal quality management and enhance the coal product quality; and strengthen the quality control and management of coal use and coal blending in coal chemical industry to ensure coal supply for projects.

As to coal sales, the Company will actively respond to market changes and timely adjust business strategy to create maximum benefits for the Company; so the Company will further optimize the internal and external market and continue to expand the direct railway market and raw coal and lump coal market outside the region to form a continuous and steady profit growth point. The Company will be oriented by market to refine the structure of varieties through crushing and screening in pit mouths, platforms and ports and many other ways, to increase sales revenue. The Company also actively organize supply and increase the volume at the dispatching station and the port purchase volume to provide an important supplement for the supply organization.



REPORT OF DIRECTORS *(Continued)*

IV. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT *(CONTINUED)*

(III) Business plan *(Continued)*

2. To Plan Scientifically the Linkage of Coal Production, Transportation and Sales to Create Benefits. *(Continued)*

As to railway transportation, the Company will further enhance the level of railway operation. Also, the Company will analyze in a timely manner the new policy of the railway development, closely follow the trend of market, conduct analysis and accounting of the Company's railway economic benefit, and establish and improve the corresponding railway freight adjustment linkage mechanism; attract more retail customers with shipment needs and guarantee railway transport volume to improve operating income; optimize transport organization and traffic organization, reasonably arrange transportation and production, and greatly reduce the turnaround time of the trains running within the jurisdictions to improve operational efficiency.

3. Making Progress while Working to Keep Performance Stable to Drive the Company's Industrial Transformation and Upgrading.

First, the Company needs to ensure the safe and stable operation of demonstration projects of coal-to-oil with an annual output of 160,000 tonnes in a long period, improve the equipment maintenance and overhaul level, optimize the production process, and actively carry out technical research. In addition, the Company also needs to lower cost and increase the efficiency, through energy saving and restructure, reduction of the consumption of raw materials and auxiliary materials. The Company will continue to give play to the project demonstration effect and strengthen the construction of talent team to provide comprehensive supports for the development of coal chemical industry of the Company.

Second, the Company will continue to improve the construction of chemicals sales system. Moreover, the Company will make every effort to carry out product sales work of Hanggin Banner 1.20 Mtpa Refined Chemical Project and ensure the smooth convergence of production and sales of such project to strive to achieve maximum benefit. The Company will also continue to carry out product pricing system and mechanism optimization work to further improve the pricing management measures, standardize pricing approval procedure, perfect pricing reference basis, and fully implement bidding sale mechanism.



REPORT OF DIRECTORS *(Continued)*

IV. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT *(CONTINUED)*

(III) Business plan *(Continued)*

4. To Go Ahead in a Down-to-Earth Manner to Do Well in Project Approval and Construction Work.

The Company will ensure feeding of Hanggin Banner 1.20 Mtpa Refined Chemical Project is a one-time success to strive to achieve a production load of more than 90% at the end of the year and lay a foundation for the realization of a “safe, stable, long-cycle, full-load and high-quality” operation. In addition, the Company will carry out overall design revision work of DaLu 2.00 Mtpa coal-to-oil project and start the basic design work. As to Xinjiang Yili 1.00 Mtpa coal-to-oil project, the Company will make every effort to obtain approval for it. The Company will pay close attention to implementing the indicators of the environmental capacity of Xinjiang Ganquanpu 2.00 Mtpa project and submit them for EIA review.

The Company will strive to do well in mine construction, building construction, mechanical and electrical installation and inspection work and other engineering finishing work of Talahao Mine and coal preparation plant.

5. To Strengthen the Awareness of Environmental Protection and Adhere to the Red Line.

In the face of the new situation of environmental protection, in accordance with the new requirements of the national and local environmental protection policy, first, the Company will need to maintain a sustained and effective operation of the environmental management/energy management system and improve the Company's environmental management measures and relevant systems. Second, the Company will need to make more efforts to strengthen supervision work and regularly or irregularly carry out special inspection and assessment work in order to ensure a stable and efficient operation of the pollution control facilities. Third, the Company will need to maintain the results of ecological construction in the mining areas, strengthen the maintenance, supervision and management work in the later stage of the greening projects and do well in ecological restoration work of the mining areas. Fourth, the Company will need to strictly fulfill the system of doing such three kinds of work at the same time as construction of project, environmental protection and soil and water conservation, and complete the approval and inspection of construction projects on time, focusing on the completion of submission for environmental evaluation approval of Yili 1.00 Mtpa coal-to-oil project, Hanggin Banner 1.20 Mtpa Refined Chemical Project and inspection work of environmental protection and water and soil conservation of Talahao Mine and coal preparation plants.



REPORT OF DIRECTORS (Continued)

IV. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT (CONTINUED)

(IV) Potential risks of the Company

1. Policy risks

Given its predominance in China's resource endowment and energy consumption structure, coal has always been the top priority in the country's energy plan and is markedly affected by national policy. On the one hand, with the promotion of energy conservation and emission reduction and reinforcement of ecological civilization construction, the constraints from resource and environment will increase, and the risks of environmental protection and ecological issues generated from energy development will gradually grow, thus the requirements regarding barriers to entry coal mining and coal chemical projects, energy conservation and environmental protection, production safety and others will be more stringent. On the other hand, as China gradually increases the supply-side reform efforts, government regulation and control policies, including limited capacity and decapacity, will also have a greater impact on the Company's production and operation.

To minimize the above risks, the Company will continuously enhance corporate management, accelerate industrial upgrading and scale up research and innovation as well as environmental protection and energy saving to comprehensively achieve or exceed the requirements of the policy in terms of production safety, energy saving and environmental protection. Accordingly, the Company will keep track of the national regulatory policy for the coal industry and change of policy in mineral resources management in a timely manner and positively grasp policies to release advanced productivity to guarantee Company's normal production and operations.

2. Risks of macro-economic fluctuations

The coal industry which the Company belongs to as well as its downstream industries are basic industries of national economy and closely connected with the macro-economy. Therefore, it is very vulnerable to macroeconomic fluctuations. Along with changes in the structure, the development pattern and the system in the domestic macro economy, it will have certain impact on production and operation of the Company, thereby affecting the operating results of the Company.

To cope with the above risks, the Company will sum up the past experiences, pay close attention to market changes and will strengthen ability in analyzing the coal market. The Company will make the business segments, such as coal production, railways and coal-to-chemical, bigger and stronger, positively improve its capability and enhance capabilities in diversified and integrative operation to better address macro-economic fluctuations.



REPORT OF DIRECTORS *(Continued)*

IV. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT *(CONTINUED)*

(IV) Potential risks of the Company *(Continued)*

3. Risks of industrial competition

Currently the domestic coal market presents a situation with weak demand and over-capacity. The situation of supply over demand will lead to fiercer competition among coal industry. Under the circumstances of a prolonged slump in the international oil price, the coal-to-chemicals industry will encounter many difficulties, such as low oil price, high coal price and fierce competition in production sales and so forth.

To cope with intensifying industrial competition, the Company will continuously maintain the leading position in the industry by strengthening cost management. Meanwhile, the company will continuously improve market competitiveness by enhancing quality of coal products and brand awareness, expanding market through multiple channels, improving customer service level, adjusting products and sale structure. Facing a prolonged slump in international oil price and other disadvantages, the Company will realize cost reduction and efficiency increase through optimizing the production technology process and adjusting product structure to adapt to the changes in the market as well as actively striving for the preferential policies and tax deduction and exemption for coal-to-chemical industry.

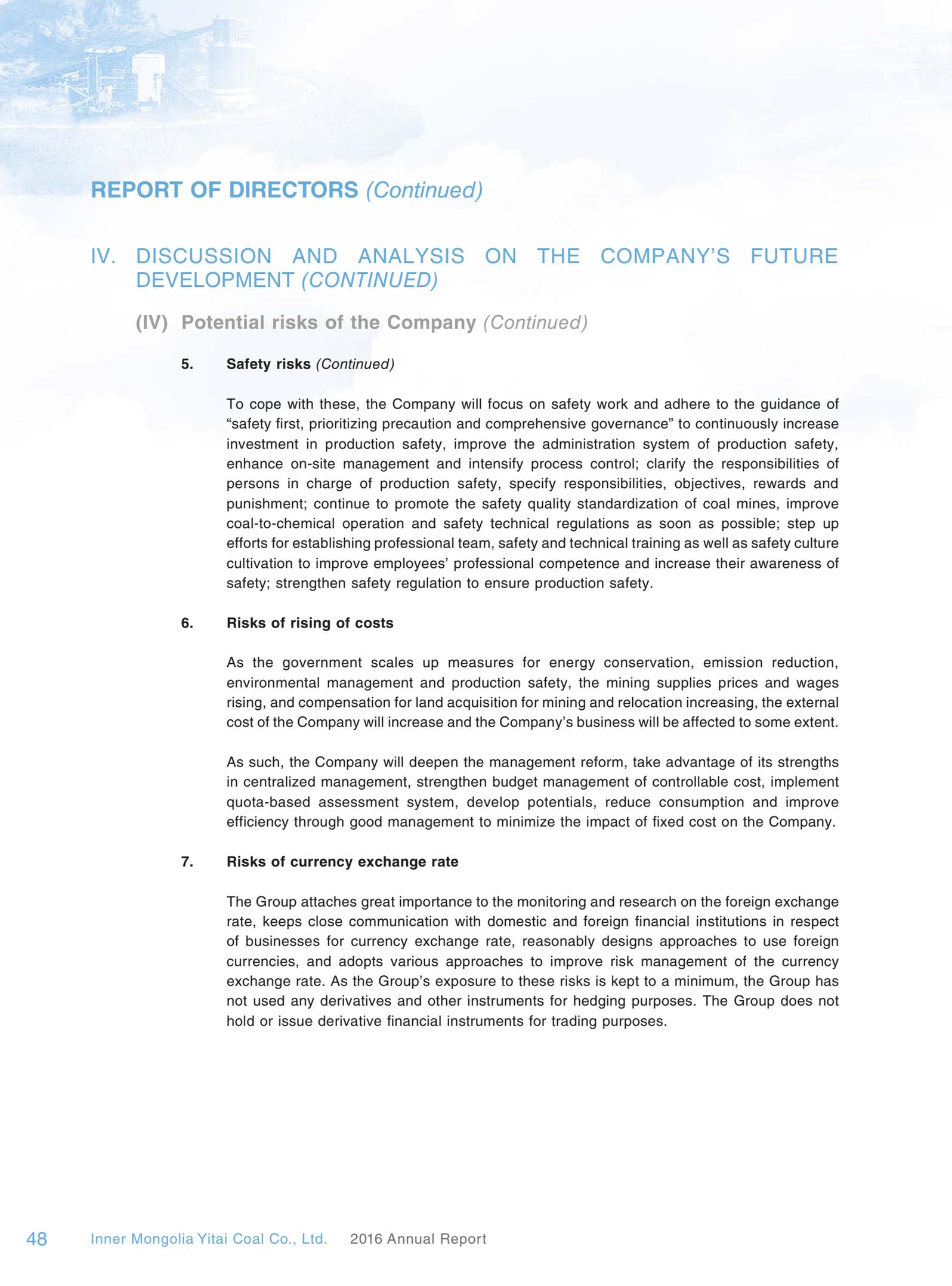
4. Risk of the increase in capital needs

Coal-to-chemical industry is a capital intensive industry. The Company is currently conducting a layout of three large-scale coal-to-oil projects in Inner Mongolia and Xinjiang. The previous funds invested into these three projects are mainly used for the preliminary work such as feasibility study, design and land acquisition. After obtaining the approval for and formal construction of those projects, more funds will be needed.

In this regard, the Company will, based on the approval progress of projects, the international crude oil market situation and the Company's overall fund arrangements, gradually promote the project construction work, timely follow-up and implement project loans, and further promote the equity financing, debt financing to expand the Company's financing channels and ease the fund pressure.

5. Safety risks

As coal production involves underground mining operation, even though the Company maintains a high-level of mechanization and safety management capability, it still poses challenges for safety management considering the extension of mines' service life as well as the depth of mining and exploitation. In addition, the Company is extending its business to the coal-to-chemicals industry, further adding to the production safety risks.



REPORT OF DIRECTORS *(Continued)*

IV. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT *(CONTINUED)*

(IV) Potential risks of the Company *(Continued)*

5. Safety risks *(Continued)*

To cope with these, the Company will focus on safety work and adhere to the guidance of “safety first, prioritizing precaution and comprehensive governance” to continuously increase investment in production safety, improve the administration system of production safety, enhance on-site management and intensify process control; clarify the responsibilities of persons in charge of production safety, specify responsibilities, objectives, rewards and punishment; continue to promote the safety quality standardization of coal mines, improve coal-to-chemical operation and safety technical regulations as soon as possible; step up efforts for establishing professional team, safety and technical training as well as safety culture cultivation to improve employees' professional competence and increase their awareness of safety; strengthen safety regulation to ensure production safety.

6. Risks of rising of costs

As the government scales up measures for energy conservation, emission reduction, environmental management and production safety, the mining supplies prices and wages rising, and compensation for land acquisition for mining and relocation increasing, the external cost of the Company will increase and the Company's business will be affected to some extent.

As such, the Company will deepen the management reform, take advantage of its strengths in centralized management, strengthen budget management of controllable cost, implement quota-based assessment system, develop potentials, reduce consumption and improve efficiency through good management to minimize the impact of fixed cost on the Company.

7. Risks of currency exchange rate

The Group attaches great importance to the monitoring and research on the foreign exchange rate, keeps close communication with domestic and foreign financial institutions in respect of businesses for currency exchange rate, reasonably designs approaches to use foreign currencies, and adopts various approaches to improve risk management of the currency exchange rate. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

REPORT OF DIRECTORS (Continued)

IV. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT (CONTINUED)

(V) Other

1. The Company's capital expenditure plan for 2017

Project	Plan for 2017 (RMB ten-thousand)
1.2 Mtpa of fine chemicals project of Inner Mongolia Yitai Chemical Co., Ltd.	328,632.38
2 Mtpa coal-based polygeneration comprehensive Project of Yitai Xinjiang Energy Co., Ltd.	50,000.00
1 Mtpa Coal-to-oil Project of Yitai Yili Energy Co., Ltd.	50,000.00
2 Mtpa indirect coal to liquids conversion pilot project of Inner Mongolia Yitai Coal-to-oil Co., Ltd.	95,356.50
Talahao Mine/auxiliary processing plant	49,546.67
The second track of Huzhun Railway	43,617.73
Zhulong Railway – Dongwu Railway connecting line	22,041.00
Dama railway project	10,551.62
Construction of petrochemical gas station	5,684.00
Hangjinqi Xinnuo Municipal Construction Investment (杭錦旗信諾市政建設投資)	5,300.00
Production and operation investment	65,610.00
Total	726,339.90

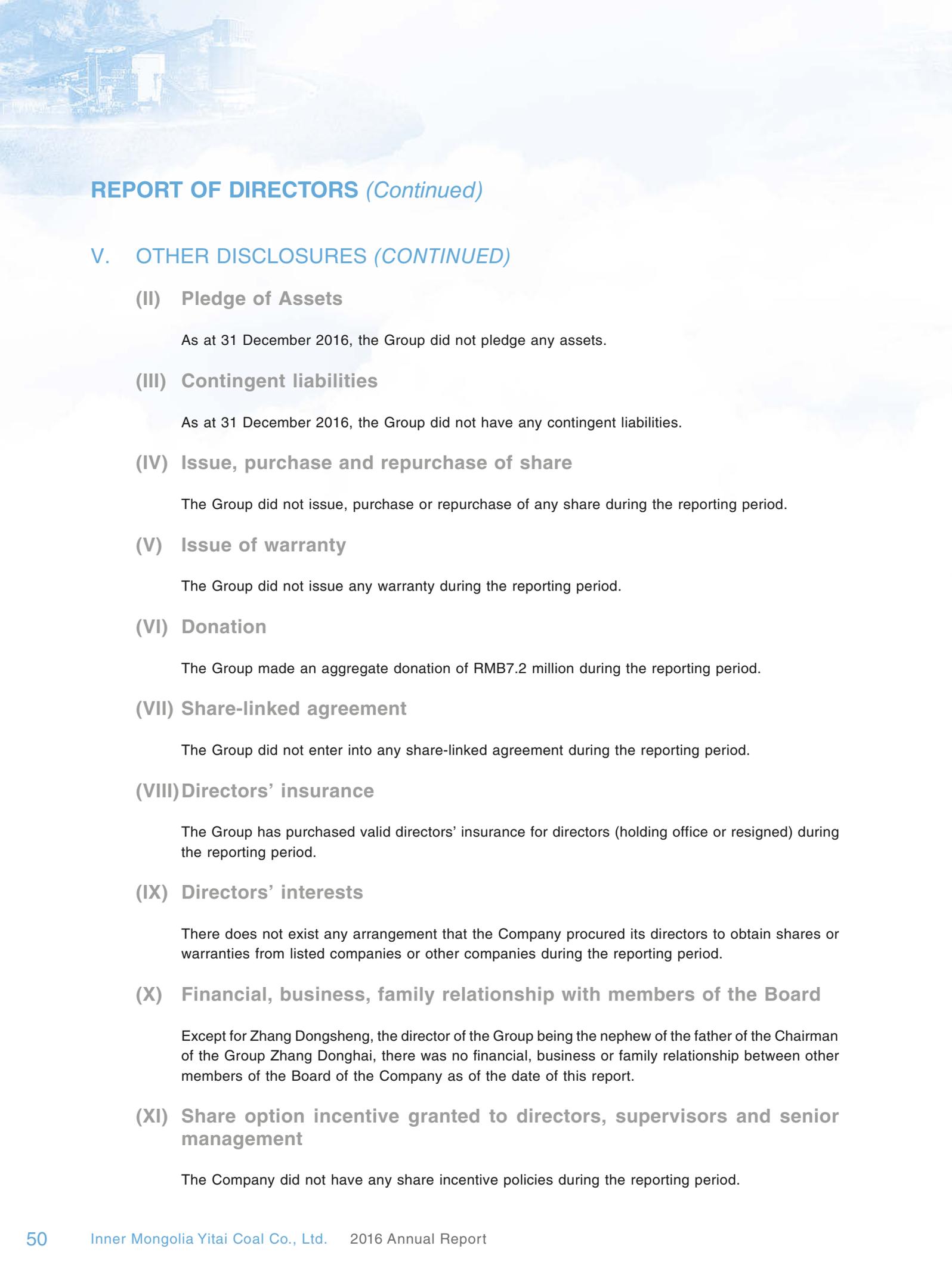
2. Financing plan

The Company's existing capital expenditure plan for 2017 may vary to the development of the business plan (including potential acquisitions), progress of capital projects, market conditions, outlook for future business conditions and the acquisition of necessary permits and regulatory approvals. In addition to the legal requirements, the Company does not undertake any responsibility to update any data of the capital expenditure planning. The Company will develop an overall plan for funds scheduling, optimize the asset structure, and meanwhile strictly control the costs, accelerate the capital turnover rate, and reasonably arrange the plans for fund use, in order to support the healthy development of the Company. The Company will sustain the capital demands for day-to-day business operation by collectively drawing on the operating revenue, equity financing and debt financing as well as other financing means to meet the Company's capital needs.

V. OTHER DISCLOSURES

(I) Material events after the balance sheet date

The Group's material events after the balance sheet date is detailed in "Other Significant Events" under section VI – Significant Events.



REPORT OF DIRECTORS (Continued)

V. OTHER DISCLOSURES (CONTINUED)

(II) Pledge of Assets

As at 31 December 2016, the Group did not pledge any assets.

(III) Contingent liabilities

As at 31 December 2016, the Group did not have any contingent liabilities.

(IV) Issue, purchase and repurchase of share

The Group did not issue, purchase or repurchase of any share during the reporting period.

(V) Issue of warranty

The Group did not issue any warranty during the reporting period.

(VI) Donation

The Group made an aggregate donation of RMB7.2 million during the reporting period.

(VII) Share-linked agreement

The Group did not enter into any share-linked agreement during the reporting period.

(VIII) Directors' insurance

The Group has purchased valid directors' insurance for directors (holding office or resigned) during the reporting period.

(IX) Directors' interests

There does not exist any arrangement that the Company procured its directors to obtain shares or warranties from listed companies or other companies during the reporting period.

(X) Financial, business, family relationship with members of the Board

Except for Zhang Dongsheng, the director of the Group being the nephew of the father of the Chairman of the Group Zhang Donghai, there was no financial, business or family relationship between other members of the Board of the Company as of the date of this report.

(XI) Share option incentive granted to directors, supervisors and senior management

The Company did not have any share incentive policies during the reporting period.



REPORT OF DIRECTORS *(Continued)*

V. OTHER DISCLOSURES *(CONTINUED)*

(XII) Diversification policies of the Board

The Group believed that a diversified Board will be beneficial to enhance the Company's performance. In setting the composition of the Board, the Company will consider the diversification of members of the Board from various aspects, including but not limited to age, cultural and educational background, race, professional experience, skills and knowledge. All appointments to the Board shall follow the principle of meritocracy, taking into account objectively the benefits of diversification of members of the Board when considering the candidates. Selection of candidate to the Board will be based on a series of diversified scope, including but not limited to age, culture and education background, professional experience, skills and knowledge.

The nomination committee will annually disclose the composition of the Board in the Corporate Governance Report, and supervise the implementation of the policy. The nomination committee will review the policy in due time to ensure its effectiveness in performance. The nomination committee will discuss any possible amendments needed, and offer the advice on amendments to the Board for its consideration and approval.

(XIII) Articles of association

The Group proposed to amend the articles of association as a result of cancellation of issuance of preferred shares on 15 August 2016. This proposal has been approved at the first extraordinary general meeting in 2016 to be held by the Company on 29 November 2016. The existing articles of association came into effect on 29 November 2016.

(XIV) Proposed dividend

The directors of the Group proposed to pay the final dividend of RMB1.84 (including tax) per 10 shares in 2016. Details refer to "Plans for Profit Distribution or Transfer of Capital Reserve to Ordinary Share" in Significant Events under section VI.

(XV) Resignation of directors

Details see the section under DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES.

(XVI) Comply with relevant laws and rules that have significant impact on the Company

The Group is in strictly compliance with each laws and rules in the Mainland China and Hong Kong.

(XVII) Directors' and supervisors' material interest in significant transactions, arrangement or contract

No directors, supervisors and entities associated with them have interest of significant in the transactions or arrangement in the Company or subsidiaries of the Company.



REPORT OF DIRECTORS *(Continued)*

V. OTHER DISCLOSURES *(CONTINUED)*

(XVIII) Management Contracts

In 2016, the Company did not sign or have any contract on the management or administrative work of its overall business or any major business.

(XIX) Pre-emptive Right and Stock Option Arrangement

In 2016, the Company had no arrangement on pre-emptive right and stock option; both Chinese laws and the Articles of Association of the Company have no clear provisions on the pre-emptive right.

(XX) Permitted Indemnity Provisions

As of the year ended on 31 December 2016, the Company didn't have any permitted indemnity provisions once in effect or in effect for the benefit of directors of the Company (whether entered into by the Company or not) or any directors of associated companies of the Company (if entered into by the Company).

The Company has insured against liability for relevant legal proceedings filed for directors, supervisors and senior management personnel.



REPORT OF DIRECTORS *(Continued)*

V. OTHER DISCLOSURES *(CONTINUED)*

(XXI) Public Float

In accordance with the publicly-available information of the Company or the knowledge of the directors of the Company, the Company's public float was sufficient on the issuing date of this Report.

(XXII) Major Legal Proceedings

As of 31 December 2016, the Company did not involve any major legal proceeding or arbitration and, to the knowledge of our directors, there was also no major legal proceeding or claim that hadn't been learnt or may be by faced by the Company.

(XXIII) Business Review

For the business conditions of the Company and the Group for the year 2016, main risks and uncertainties faced in 2016 and the outlook for 2017 of the Company and the Group, please refer to page 13 to page 49 of this Report.

In 2016, the Company and the Group strictly complied with relevant laws, regulations and China's environmental policies, and established corresponding mechanisms for operation compliance and have also made corresponding compliance disclosures for the Environmental, Social and Governance Reporting Guide promulgated by the Hong Kong Stock Exchange.

(XXIV) Compliance procedure of the agreement on avoidance of non-Horizontal competition and its Implementation

- (1) The Group has entered into the Agreement on Avoidance of Non Horizontal Competition on 29 May 2012 with holding shareholders. To implement the strategy of expanding the coal business of the Company, and minimize the potential competition in the business of the Yitai Group and the Company, the Company entered into the Asset Transfer Agreement with Yitai Group on 29 May 2012, pursuant to which the Company acquires the target assets of Yitai Group under the agreement at the consideration RMB8,446.54 million, including most production, sales and transportation business of Yitai Group. The Company confirmed:
 - ① all coal products mined from Hongqinghe Mine were solely supplied to the Company (as the buyer) for resale during the period from the listing date to the acquisition date of Hongqinghe Mine by the Company;
 - ② the Company purchased all coal produced by Sujiahao Mine after entered into the Coal Framework Agreement on 27 August 2013, during the period from the listing date to the acquisition date of Sujiahao Mine by the Company;
 - ③ all coal products were solely supplied to the Company (as the buyer) for resale during the period from the listing date to the transfer date;

REPORT OF DIRECTORS *(Continued)*

V. OTHER DISCLOSURES *(CONTINUED)*

(XXV) Compliance procedure of the agreement on avoidance of non-Horizontal competition and its Implementation *(Continued)*

(1) *(Continued)*

- ④ save as retained business and target business group, during the effective period of the Agreement on Avoidance of Non Horizontal Competition, the controlling shareholder and its subsidiaries (excluding the Group) did not or did not spur its respective associates on not to engagement of direct or indirect competition activities with core business of the Company in any manner through itself or other entity union, or holding any interests or rights in any such competition business through a third party;
- ⑤ the controlling shareholder did not engage or participate in any activities, by leveraging on their respective identity of shareholders or relationship with the Company's shareholders, resulting a damage to legal interests of the Company and the Company's shareholders;
- ⑥ upon completion of the acquisition, (i) the Ministry of Railways granted the Company to use all transportation quotas of Yitai Group at no cost; (ii) Yitai Group did not use transportation quotas or grant a third party any transportation quotas before satisfying the Company's demands; and (iii) Yitai Group applied to the Ministry of the Group for changing its account holder to the Company;
- ⑦ since the listing date, Yitai Group did not sell any above coal products to any third parties or engage in coal trade business, including but not limited to purchase of coal products from a third party; and
- ⑧ Yitai Group did not make any notice to the Company in writing for the matters that constituted a business opportunity of horizontal competition, thereby needed to be brought to the Company's attention, and confirmed that there were no business interests of horizontal competition transferred, disposed of, leased or permitted to a third party.



REPORT OF DIRECTORS *(Continued)*

V. OTHER DISCLOSURES *(CONTINUED)*

(XXVI) Compliance procedure of the agreement on avoidance of non-horizontal competition and its Implementation *(Continued)*

- (2) On 29 May 2012, Yitai Group and the Company entered into the Agreement on Avoidance of Non-Horizontal Competition, pursuant to which, Yitai Group undertook to preferentially sell Hongqinghe mine to the Company or its subsidiaries provided that Hongqinghe obtained the legitimate mining right qualification or resources licenses in compliance with production condition required, was in accordance with reasonable and fair terms and conditions. The Company had options and pre-emptive rights.

Supplement explanation of the undertaking:

① Analysis of ability to perform contracts

Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. (“Yitai Guanglian”), a subsidiary of Yitai Group, obtained approval from National Development and Reform Commission to commence operation of mines on 18 February 2013, and other resources licenses were in the process of the proactive application. Under preliminary estimation, Hongqinghe mine will obtain all resources licenses and satisfied the production condition required by 2017.

The Company will exercise its options and pre-emptive rights to require Yitai Guanglian in priority to sell Hongqinghe mine to the Company or its subsidiaries provided that Hongqinghe mine owned by Yitai Guanglian obtained the legitimate mining right qualification and was in accordance with reasonable and fair terms and conditions, the actual situation, capital arrangement and the Agreement on Avoidance of Non-Horizontal Competition signed with Yitai Group through ways of financing.

② Analysis on risks in respect of performance to contracts

As Hongqinghe mine obtained approval from the National Development and Reform Commission to commence operation of mines on 18 February 2013, it was necessary to apply for obtaining other mining right qualification before satisfying the condition of company acquisition. The Company considered that there were no physical obstacles to obtain the mining right qualification under current condition, and there were no physical obstacles regarding the performance of the commitment by Yitai Group and the disposal of the mine to the Company.



REPORT OF DIRECTORS (Continued)

V. OTHER DISCLOSURES (CONTINUED)

(XXVII) Compliance procedure of the agreement on avoidance of non-Horizontal competition and its Implementation (Continued)

(2) (Continued)

③ Preventive measures and control measures under default

Yitai Guanglian did not obtain the approval of coal mining of Hongqinghe mine and was not allowed for the Company's acquisition when the Company issued H shares and listed on the main board of the Hong Kong Stock Exchange in 2012. Yitai Group undertook in the Agreement on Avoidance of Non-Horizontal Competition that prioritized to sell Hongqinghe mine to the Company or its subsidiaries provided that Hongqinghe mine owned by Yitai Guanglian obtained the legitimate mining right qualification and was in accordance with reasonable and fair terms and conditions. The Company had options and pre-emptive rights in order to solve the horizontal competition in the industry arising from the aforesaid situation.

Based on the obligations of solving the issue of horizontal competition of Yitai Group under the supervision of relevant supervising authorities and the right of option and pre-emptive rights, the Company can be guaranteed to have advantageous status and rights to require Yitai Group take further actions to solve the issue of horizontal competition when Yitai Group failed to implement such commitment. If Yitai Group failed to honor such commitment, pursuant to the Agreement on Avoidance of Non-Horizontal Competition, Yitai Group should compensate all loss (including but not limited to business loss) caused thereby to the Company.

Fulfillment of undertakings:

The Company entered into an equity transfer agreement with Yitai Group on 25 March 2014 in Ordos, and acquired 5% of equity interest of Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. therefrom at a consideration of RMB1.912 billion. The stock right transfer was considered and approved at the thirty-second meeting of the fifth session of Board of Directors of the Company convened on 25 March 2014, and the 2013 annual general meeting held on 30 May 2014, at which the independent non-executive Directors presented independent opinions. Payment for the stock right transfer and change of industrial and commercial registration have been completed.

The Company entered into an equity transfer agreement with Yitai Group on 18 March 2015, and proposed to acquire 5% of equity interest of Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. therefrom at a consideration of RMB1.912 billion. The stock right transfer has been approved at the seventh meeting of the sixth session of the Board of Directors convened on 18 March 2015 and the 2014 annual general meeting convened on 9 June 2015 respectively, at which the independent non-executive Directors presented independent opinions. As at 31 December 2016, the Company has paid all the equity transfer consideration pursuant to the payment term of the equity transfer agreement, and the procedures of changes in business registration was completed on 14 February 2017.



REPORT OF THE SUPERVISORY COMMITTEE

In 2016, pursuant to the relevant requirements set out in the Company Law, the Articles of Association and Rules of Procedure of the Supervisory Committee, the Supervisory Committee of the Company adhered to the spirit of being responsible to all shareholders, conscientiously implemented the function of supervision for effective supervision on the material operating activities as well as execution of duty of all Directors and senior management of the Company, thus safeguarding the legal interests of the shareholders and the Company and legal rights of all employees satisfactorily, and accelerating standardization operation of the Company. The specific work of the Supervisory Committee in the past year is as follows:

I. MEETING OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

During the reporting period, the Supervisory Committee convened seven meetings, details of which are set out as follows:

The tenth meeting of the sixth session of the Supervisory Committee was convened on 30 March 2016, at which the proposal in relation to the 2015 Work Report of the Supervisory Committee of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to the 2015 Financial Reporting of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to the 2015 Internal Control Assessment Report of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to the 2015 Internal Control Audit Report of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to the 2015 Social Responsibility Report of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to profit distribution plan of the Company for 2015; the proposal in relation to the 2015 Annual Report of Inner Mongolia Yitai Coal Co., Ltd. and its summary; the proposal in relation to Annual Results Report for 2015; the proposal relating to confirmation of the actual amount of daily connected transactions of the Company for 2015 and the supplementary estimation for maximum of daily connected transactions for 2016-2017; the proposal relating to the supplementary estimation for maximum of continuing connected transactions for 2016-2017; the proposal in relation to guarantee provided by the Company to its subsidiaries; the proposal relating to the Appointment of Audit Institution of the Company for 2016 and the proposal relating to the Appointment of Internal Control Audit Institution of the Company for 2016 were considered and approved.

The eleventh meeting of the sixth session of the Supervisory Committee was convened on 28 April 2016, at which the proposal of the First Quarterly Report for the Year 2016 of Inner Mongolia Yitai Coal Co., Ltd. was considered and approved.

The twelfth meeting of the sixth session of the Supervisory Committee was convened on 13 June 2016, at which the proposal in relation to providing entrusted loans for its subsidiaries by the Company was considered and approved.

The thirteenth meeting of the sixth session of Supervisory Committee was convened on 22 July 2016, at which the proposal in relation to the external investment of Inner Mongolia Yitai Railway Investment Co., Ltd. (內蒙古伊泰鐵路投資有限責任公司) (the subsidiary of the Company) was considered and approved.



REPORT OF THE SUPERVISORY COMMITTEE *(Continued)*

I. MEETING OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD *(CONTINUED)*

The fourteenth meeting of the sixth session of Supervisory Committee was convened on 15 August 2016, at which the proposal in relation to the 2016 Semi-annual Financial Report of Inner Mongolia Yitai Coal Co., Ltd.; the proposal in relation to the 2016 Semi-annual Report of Inner Mongolia Yitai Coal Co., Ltd. and its summary; the proposal in relation to the Semi-annual Results Report for 2016; the proposal in relation to the amendment to the Rules of Procedure of the Supervisory Committee of Inner Mongolia Yitai Coal Co., Ltd. were considered and approved.

The fifteenth meeting of the sixth session of the Supervisory Committee was convened on 27 October 2016, at which the proposal in relation to the Third Quarterly Report for the Year 2016 of Inner Mongolia Yitai Coal Co., Ltd. was considered and approved.

The sixteenth meeting of the sixth session of Supervisory Committee was convened on 27 December 2016, at which the proposal in relation to the transfer to the Company of the 27% equity interest held in Inner Mongolia Yitai Baoshan Coal Co., Ltd. by Beijing Jielongda Investment Co., Ltd. (北京傑隆達投資有限責任公司) and the proposal in relation to the transfer by the Company of the 36% equity interest the Company held in Inner Mongolia Yitai Tongda Coal Co., Ltd. were considered and approved.

II. SUPERVISION OF THE SUPERVISORY COMMITTEE FOR THE PERFORMANCE OF THE DIRECTORS AND SENIOR MANAGEMENT OF THEIR DUTIES

During the reporting period, the Supervisory Committee supervised the performance of the Directors and senior management of their duties and was of the view that the Board of the Company performed its duties in strict compliance with the requirements under the laws and regulations including the Company Law, the Securities Law and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, and the Articles of Association, the major decisions were reasonable and the procedures were lawful and valid; and was of the view that, in the performance of their duties, the senior management conscientiously complied with national laws and regulations, the Articles of Association and the resolutions of general meetings and the Board, discharged their duties honestly and forged ahead; and no actions in violation of laws, regulations or the Articles of Association of the Company or against the shareholders of the Company or the interests of the Company were found.



REPORT OF THE SUPERVISORY COMMITTEE *(Continued)*

III. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON RELEVANT SITUATION OF THE COMPANY

During the reporting period, the Company further standardised the information disclosure procedures, took measures to ensure confidentiality before information disclosure to prevent insider transactions, and disclosed all information in a timely and fair way, therefore the right to be informed and participation right of shareholders were enlarged and the transparency and standard operation level of the Company were enhanced. The Company implemented a proactive profit distribution plan in the principle of operation in good faith, attached importance to a reasonable return to investors, and strengthened the exchange and communication with investors by various channels to establish a favourable corporate image. The Company set up a sound internal control mechanism and formed a standard management system.

IV. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON RELEVANT MATTERS OF THE COMPANY

(I) Independent Opinions of Supervisory Committee on Inspection of the Financial Position of the Company

During the reporting period, the Supervisory Committee inspected and supervised the financial activities of the Company by debrief the special report from the financial officers of the Company, reviewing the regular report of the Company and examining the auditor's report issued by the auditor. The Supervisory Committee was of the view that the financial system of the Company is in compliance with the related provisions under the laws and regulations including the Accounting Law and the Accounting Standards for Business Enterprises. The 2016 annual report of the Company gives a true, accurate and complete view of the financial position, operational results, cash flow and shareholders' equity of the Company, etc. The audit opinions issued by the auditor are objective and fair, and the auditor issued standard unqualified auditor's report for the Company.

(II) Independent Opinions of Supervisory Committee on the Actual Use of the Latest Raised Proceeds of the Company

As at the end of 2016, the actual use of proceeds was in compliance with the commitments under the Prospectus.

(III) Independent Opinions of Supervisory Committee on Acquisition and Disposal of Assets by the Company

Trading and pricing terms for acquisitions of assets by the Group during the reporting period were fair and there were no insider dealings and transactions which damaged the interests of Shareholders and resulted in any capital loss to the Company.



REPORT OF THE SUPERVISORY COMMITTEE *(Continued)*

IV. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON RELEVANT MATTERS OF THE COMPANY *(CONTINUED)*

(IV) Independent Opinions of Supervisory Committee on the Related Party Transactions of the Company

During the reporting period, the connected transactions between the Company and its controlling shareholder and its subsidiaries were fair, reasonable, lawful and had no harm to the interests of the Shareholders.

(V) Independent Opinions of Supervisory Committee on the Auditor's Standard Opinion

Da Hua Certified Public Accountants (Special General Partnership) (大華會計師事務所(特殊普通合夥)) and Deloitte Touche Tohmatsu had issued a standard auditor's report on the Company's 2016 financial statements respectively and the auditor's reports give a true, objective and accurate view of the Company's financial position.

(VI) Supervisory Committee's Review of and Opinions on Internal Control Self-assessment Report

The Supervisory Committee reviewed the 2016 Internal Control Assessment Report of Inner Mongolia Yitai Coal Co., Ltd., and was of the view that the report was in compliance with relevant requirements under the Basic Rules for Internal Control of Companies and Supporting Guidelines on Internal Control of Companies and gave a comprehensive, objective and true view of the actual conditions of the Company's internal control. From 1 January to 31 December 2016, no material or significant defects were found in the design or execution of the Company's internal control.

SIGNIFICANT EVENTS

I. PLANS FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO ORDINARY SHARE

(I) Formulation, execution or adjustment of cash dividend policy

The net profit attributable to shareholders of the Company amount to RMB1,985,762 thousand under the PRC Accounting Standards for Business Enterprises in 2016 and basic earnings per share amounted to RMB0.61. The Board proposed to distribute a cash dividend of RMB1.84 per 10 shares (inclusive of tax) to the shareholders, based on the total number of shares, 3,254,007,000. According to the relevant laws and regulations and the Articles of Association of the Company, dividends distributed by the Company are denominated and announced in RMB. Dividends to holders of domestic shares are paid in RMB, dividends to holders of domestically listed foreign shares (B shares) are paid in USD, and dividends to holders of overseas listed foreign shares (H shares) are paid in HKD. The dividend paid in USD to holders of B shares is calculated based on the middle rate of RMB against USD as published by the People's Bank of China on the first working days after the general meeting (namely the 2016 annual general meeting) at which the resolution on distribution of dividend is approved. The dividend paid in HKD to holders of H shares is calculated based on the average of middle rate of RMB against HKD as published by the People's Bank of China on the first working days after the date of the general meeting (namely the 2016 annual general meeting) at which the resolution on distribution of dividend is approved.

The Company will convene the 2016 annual general meeting on Thursday, 25 May 2017 for consideration and approval of relevant proposals, including the above proposal regarding final dividends for 2016. The final dividends for 2016 will be paid on Thursday, 6 July 2017.

(II) Schemes or plans for profit distribution of ordinary shares and transfer of capital reserve to share capital in the latest 3 years (including the reporting period)

Unit: yuan Currency: RMB

Year	Dividends paid for every 10 existing shares (tax inclusive)	Amount of cash dividend (tax inclusive)	Net profit attributable to ordinary shareholders of the Company in the consolidated statements of the year with dividend payment	Percentage relative to the net profit attributable to ordinary shareholders of the Company in the consolidated statements (%)
2016	1.84	598,737,288	1,985,762,176.05	30.15
2015	0.085	27,659,059.50	90,500,985.99	30.56
2014	2.08	676,833,456	2,252,636,707	30.05



SIGNIFICANT EVENTS *(Continued)*

I. PLANS FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO ORDINARY SHARE *(CONTINUED)*

(III) Closure of register of members

1. Record date and dividend distribution for B shares

Given that the Company will convene the 2016 annual general meeting on Thursday, 25 May 2017, and under relevant regulations of China and the market practice adopted in B share market, the Company will publish a separate announcement in respect of dividend distribution to holders of B shares after the 2016 annual general meeting, which will set out the record date and ex-rights and ex-dividend date of dividend distribution for B Shares.

2. Closure of the register of members of H Shares

The Company will convene the 2016 annual general meeting on Thursday, 25 May 2017. The register of members of the Company will be closed from 25 April 2017 to 25 May 2017 (both days inclusive). In order to qualify for attending and voting at the annual general meeting, holders of H Shares should submit all the transfer documents to the Company's share registrar for H Shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at no later than 4:30 p.m. on 24 April 2017.

The register of members of the Company will be closed from 14 June 2017 to 19 June 2017 (both days inclusive). In order to qualify for receiving dividend, holders of H Shares should submit all the transfer documents to the Company's share registrar for H shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at no later than 4:30 p.m. 13 June 2017.

3. During the reporting period, no shareholders waived or agreed to waive the arrangement on the dividends.

(IV) Taxation

1. In accordance with the provisions of the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company when distributing final dividends to them. Any H shares of the Company not registered under the name of an individual shareholder, including under the name of HKSCC Nominees Limited, other nominees, trustees, or other organizations or groups, shall be deemed as shares held by non-resident enterprise shareholders. Therefore, on this basis, enterprise income tax shall be withheld from dividends payable to such shareholders. After receiving dividends, non-resident enterprise shareholders may apply, personally or by proxy, to the competent taxation authorities to enjoy the treatment under taxation agreements (arrangement), and provide materials proving their eligibility to be the actual beneficiaries under the taxation agreements (arrangement) for tax refund.



SIGNIFICANT EVENTS *(Continued)*

I. PLANS FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO ORDINARY SHARE *(CONTINUED)*

(IV) Taxation *(Continued)*

1. *(Continued)*

Investors are advised to read the above content carefully. Should there be any changes to their status as shareholders, they should consult their agents or custodian organisations for the relevant procedures. The Company shall withhold and pay enterprise income tax for the non-resident enterprise shareholders whose names appear in the register of members for H shares of the Company on 19 June 2017.

2. For individual shareholders of B Shares, according to Notice on Issues concerning Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Caishui [2015] No. 101), for individuals who acquire the stocks of a listed company from public offering or transferring market and hold the stocks for more than one year, the income from dividends and bonuses shall be temporarily exempt from individual income tax. For individuals who acquire the stocks of a listed company from public offering or transferring market, all the income from dividends and bonuses shall be included into the taxable amounts in case the holding period is less than one month (inclusive of one month); 50% thereof will be included into the taxable amounts in case the holding period is from one month to one year (inclusive of one year) temporarily; a unified tax rate at 20% shall be applicable to the aforesaid incomes in the levy of individual income tax.

When distributing dividends and bonuses, the listed company shall not withhold income tax temporarily for the individuals holding the stocks for less than one year (inclusive of one year); when the individuals transfer the stocks, China Securities Depository and Clearing Company Limited (CSDCC) will calculate the taxable amounts based on the holding period of the individuals, which will be collected from the individuals' capital account and transferred to CSDCC by securities companies and other stock custody institutions. CSDCC shall transfer the same amounts to the listed company within 5 working days of the following month and the listed company shall declare and contribute the tax payment to competent tax authorities within the statutory declaration period of the month of receiving the tax payment.

Other matters on the implementation of differentiated individual income tax policies on dividends and bonuses of listed companies shall be in conformity with Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on Issues concerning the Implementation of Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Caishui [2015] No. 85).

SIGNIFICANT EVENTS (Continued)

II. APPOINTMENT OR TERMINATION OF ENGAGEMENT OF AUDITORS

Unit: million yuan Currency: RMB

Current appointee	
Name of the domestic accounting firm	Da Hua Certified Public Accountants (Special General Partnership)
Remuneration of the domestic accounting firm	1.50
Term of audit of the domestic accounting firm	6
Name of the overseas accounting firm	Deloitte Touche Tohmatsu
Remuneration of the overseas accounting firm	3.50
Term of audit of the overseas accounting firm	2

	Name	Remuneration
Accounting firm as internal control auditors	Da Hua Certified Public Accountants (Special General Partnership)	0.85

Appointment or Termination of Engagement of Auditors

The fifteenth meeting of the sixth session of the Board of Director was convened on 30 March 2016, at which the proposal in relation to appointment of audit institution of the Company for 2016 was considered and approved: namely re-appointment of Da Hua Certified Public Accountants (special general partnership) as domestic audit institution of the Company for 2016, appointment of Deloitte Touche Tohmatsu as overseas audit institution of the Company for 2016, and re-appointment of Da Hua Certified Public Accountants (special general partnership) as internal control audit institution of the Company for 2016. The proposals relating to appointment of audit institution of the Company for 2016 were considered and approved at the 2015 annual general meeting.

III. PUNISHMENT ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, HOLDING SHAREHOLDERS, DE FACTO CONTROLLER AND PURCHASER AND RELEVANT RECTIFICATIONS

China Securities Regulatory Commission Inner Mongolia Bureau (hereinafter referred to as the "Inner Mongolia Bureau"), from 9 May 2016 to 19 May 2016, conducted a site inspection to the Company, and issued the *Decision of Presenting a Letter of Warning to Inner Mongolia Yitai Coal Co., Ltd.* on 26 August 2016. After receiving the decision, the Company attached great importance to it, and organized its directors, supervisors, senior management personnels and personnels of related departments to conduct a careful analysis and research of problems found in on-site inspection before it formulated feasible corrective measures. On 10 September 2016, the Company submitted a written report on the rectification to the Inner Mongolia Bureau.

SIGNIFICANT EVENTS (Continued)

IV. EXPLANATION OF INTEGRITY OF THE COMPANY, CONTROLLING SHAREHOLDERS AND THE DE FACTO CONTROLLER

Within the reporting period, there had been no refusal to implement effective judgments of a court or failure to meet debt repayment schedules in a relatively large amount by the controlling shareholders or de facto controller of the Company.

V. MATERIAL CONNECTED TRANSACTIONS

(I) Connected transactions in relation to daily operation

1. Non-exempt continuing connected transactions

(1) Summary of continuing connected transactions in 2016

Category of transaction	Nature of transaction	For the year ended 31 December 2016 RMB'000
Products provided by the Company	Supply of coal by the Company to Beijing Jingneng Thermal Power Co., Ltd. and its subsidiary	141,761
	Supply of equipment, materials or coal by the Company to Yitai Group and its subsidiaries	30,391
	Supply of coal by the Company to Guangdong Power Industry Fuel Co., Ltd.	658,215
	Supply of coal by the Company to Huadian Coal Industry Co., Ltd. and its subsidiaries	196,946
	Supply of materials, equipment and diesel oil by the Company to Inner Mongolia Yitai Petrochemical Co., Ltd.	594
Products provided to the Company	Supply of coal, chemical-related materials and information products from Yitai Group and its subsidiaries to the company	228,435
Services provided by the Company	Supply of rail transportation, maintenance and management and logistics services by the Company to Huadian Coal Industry Co., Ltd. and its subsidiaries	131,439
	Supply of services related to power supply circuit, moving, equipment leasing services by the Company to Yitai Group and its subsidiaries	5,293
Services provided to the Company	Supply of tender agent and supervision services from Inner Mongolia Machine Equipments Complete Co., Ltd. to the Company	2,539
	Supply of property services from Yitai Group and its subsidiaries to the Company	30,953
Financial services	Interest on deposit services provided by Yitai Group Finance Co., Ltd. to the Company	29,107

The actual highest amount of the Group's daily deposit balance (exclusive of accrued interests) and daily loan balances (inclusive of interests) were amounted to RMB3,658,475,493 and RMB1,241,109,014 with caps of RMB4,000,000,000 and RMB4,500,000,000, respectively.

Note: Please refer to "Announcement on Continuing Connected Transactions" announced on 18 March 2015 by the Company for details of connected relationships with related parties and transaction purposes.

SIGNIFICANT EVENTS *(Continued)*

V. MATERIAL CONNECTED TRANSACTIONS *(CONTINUED)*

(I) Connected transactions in relation to daily operation *(Continued)*

1. Non-exempt continuing connected transactions *(Continued)*

(2) *The annual caps of the following continuing connected transactions in 2016 disclosed in the announcements on 18 March 2015 and 30 March 2016 are as follows:*

Category of transaction	For the year ended 31 December 2016 RMB'000
Supply of equipment, materials or coal by the Company to Yitai Group and its subsidiaries	100,000
Supply of materials, equipment and diesel oil by the Company to Inner Mongolia Yitai Petrochemical Co., Ltd.	240,000
Supply of coal by the Company to Beijing Jingneng Power Co., Ltd. and its subsidiaries	213,000
Supply of coal by the Company to Guangdong Power Industry Fuel Co., Ltd.	1,700,000
Supply of coal by the Company to Huadian Coal Industry Co., Ltd. and its subsidiaries	1,050,000
Supply of coal, chemical-related materials and information products from Yitai Group and its subsidiaries to the Company	687,000
Supply of rail transportation, maintenance and management and logistics services by the Company to Huadian Coal Industry Co., Ltd. and its subsidiaries	280,000
Supply of related to power supply related services by the Company to Yitai Group and its subsidiaries	15,000
Supply of tender agent and supervision services from Inner Mongolia Machine Equipments Complete Co., Ltd. to the Company	30,000
Supply of property services from Yitai Group and its subsidiaries to the Company	67,000
Supply of deposit service from Yitai Finance Company to the Company	4,000,000
Supply of loan service from Yitai Finance Company to the Company	4,500,000
Interest paid on deposit services provided by Yitai Group Finance Co., Ltd. to the Company	100,000

Note: Details for the relations with related parties and the date of transactions, please refer to the Company's Continuing Connected Transactions Announcement and Continuing Connected Transactions, Major Transactions, Renewal Of Existing Continuing Connected Transactions and Annual Caps Under Existing Continuing Connected Transactions Announcement on 18 March 2015 and 30 March 2016, respectively.



SIGNIFICANT EVENTS *(Continued)*

V. MATERIAL CONNECTED TRANSACTIONS *(CONTINUED)*

(I) Connected transactions in relation to daily operation *(Continued)*

2. Independent non-executive directors' opinions on the non-exempt continuing connected transactions

The independent non-executive directors of the Company reviewed the continuing connected transactions and were of the view that:

- each continuing connected transaction were conducted pursuant to relevant agreement, terms of which were fair and reasonable and in the interests of the shareholders of the Company as a whole;
- the continuing connected transactions were entered into in the ordinary and usual course of business of the Group; and
- the continuing connected transactions were conducted on normal or better commercial terms (as defined under the Rules Governing the Listing of Securities of the Hong Kong Stock Exchange (the "Listing Rules")).

3. Auditor's opinions on the non-exempt continuing connected transactions

- the continuing connected transactions were approved by the Board;
- the prices of the continuing connected transactions were in line with the pricing policy of the Company;
- each of the continuing connected transactions for which relevant written agreement were entered into, was carried out in accordance with such agreement. There is no collateral agreement entered into in relation to any transaction; and
- the continuing connected transaction did not exceed the cap as disclosed in the previous announcements.

SIGNIFICANT EVENTS (Continued)

V. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(IV) Entrusted cash assets management

1 Entrusted wealth management

Trustee	Type of entrusted wealth management	Amount of wealth management (RMB '000'000)	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Principal amount actually recovered (RMB '000'000)	Income actually received (RMB '000'000)	Through a legal procedure or not	Provision for impairment amount	Connected Transaction or not	Involved in a litigation or not	
Bank of Communications	Principal guaranteed with floating returns	800	2016-3-24	2016-4-6	800	1.21	Yes	0	No	No	
Bank of Communications	Principal guaranteed with guaranteed returns	300	2016-4-21	2016-9-21	300	3.71	Yes	0	No	No	
Agricultural Bank of China	Principal guaranteed with guaranteed returns	200	2016-3-28	2016-4-29	200	0.56	Yes	0	No	No	
China Construction Bank	Principal guaranteed with guaranteed returns	370	2016-4-22	2016-6-7	370	1.07	Yes	0	No	No	
ICBC	Principal guaranteed with guaranteed returns	50	2016-4-26	2016-6-2	50	0.13	Yes	0	No	No	
ICBC	Principal guaranteed with guaranteed returns	100	2016-5-6	2016-6-12	100	0.30	Yes	0	No	No	
ICBC	Principal guaranteed with guaranteed returns	50	2016-5-6	2016-6-12	50	0.13	Yes	0	No	No	
Bank of Communications	Principal guaranteed with floating returns	200	2016-12-30	2017-1-9	200	0.13	Yes	0	No	No	
China Construction Bank	Principal guaranteed with floating returns	50	2016-1-25	2016-2-27	50	0.10	Yes	0	No	No	
China Construction Bank	Principal guaranteed with floating returns	150	2016-2-3	2016-3-7	150	0.30	Yes	0	No	No	
Bank of China	Principal guaranteed with floating returns	100	2016-2-5	2016-3-4	100	0.20	Yes	0	No	No	
Total	/	2,370	/	/	2,370	7.84	/	0	/	/	
Overdue outstanding principal and income accumulative amount (RMB)		0									
Explanation for entrusted wealth management		Nil									

SIGNIFICANT EVENTS (Continued)

V. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(IV) Entrusted cash assets management (Continued)

2. Entrusted loans

Unit: yuan Currency: RMB

Name of the borrower	Amount of Entrusted Loan	Term of the loan	Interest rate	Use of loan	Collateral or guarantor	Overdue or not	Connected transaction or not	Renewed or not	Involved in a litigation or not	Connected Relations	Profit and loss in investment
Qapqal Investment and Development Co. Ltd. (察布查爾投資發展集團有限公司)	180,000,000	327 days	8%	Infrastructure construction	Nil	Nil	No	No	No	Other	

Statement on the entrusted loans

As of the end of the reporting period, the entrusted loans balance provided by the Company to its controlled subsidiaries in the consolidated financial statement is RMB6,017,018,000.

VI. OTHER SIGNIFICANT EVENTS

1. Tailai Coal (Shanghai) Co., Ltd. was established on 30 April 2015 by the Company and NOBLE RESOURCES INTERNATIONAL PTE. LTD with a registered capital of USD10 million. Both parties hold 50% of the company's equity rights respectively. The registration address is Room 604-A01, East Floor of Building 1, No.29, Jiatai Road, Shanghai Pilot Free Trade Zone, China. Shareholders of the Company entered into an equity transfer agreement on 9 November 2016. Pursuant to the agreement, the Company will transfer its 50% equity interest in Tailai Coal (Shanghai) Co., Ltd. to NOBLE RESOURCES INTERNATIONAL PTE. LTD at a total consideration of USD5,396,885.87. At present, the Company is going through change of registration procedures in respect of such equity transfer with the bureau of industry and commerce.



SIGNIFICANT EVENTS *(Continued)*

VII. FULFILLMENT OF SOCIAL RESPONSIBILITY

(I) Work on social responsibility

Please refer to the 2016 Social Responsibility Report of Inner Mongolia Yitai Coal Co., Ltd. in the Appendix I for details.

(II) Explanation on environmental protection work of the company and subsidiaries belonging to key pollution emitted unit announced by the national environmental protection departments

The Company is under supervision by each level of environmental protection departments and administration. The Company has established a special environmental protection supervision department and formulated the internal management system, assessment mechanism and contingency plans for environmental accidents. Powerful supervision and instruction enabled the pollution prevention facilities of all units of the Company to run effectively and stably and realized up-to-standard discharge of pollutants. At the same time, the Company carried forward ecological construction with steady steps and made remarkable progress.

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

1. CHANGES IN ORDINARY SHARE CAPITAL

(I) Changes in ordinary shares

During the reporting period, there is no change in the number of ordinary shares and share capital structure.

2. ISSUE AND LISTING OF SECURITIES

Unit: share Currency: RMB

Types of shares and other derivative instruments	Date of issue	Issue price (or interest rate)	Issue amount	Listing date	Transaction amount approved	Transaction Termination
					to be listed	Date
Convertible corporate bonds, warrant bonds and corporate bonds						
Corporate bonds in 2014 (First tranche)	9 October 2014	6.99%	4,500,000,000	22 October 2014	4,500,000,000	9 October 2019

3. INFORMATION ON SHAREHOLDERS AND THE DE FACTO CONTROLLER

(I) Number of Shareholders

Total number of shareholders of ordinary shares as at the end of the reporting period (in the number of accounts)	77,140
Total number of holders of ordinary shares at the end of the last month prior to the disclosure of annual report (in the number of accounts)	77,152
Total number of holders of preference shares with voting rights restored as at the end of the reporting period (in the number of accounts)	N/A
Total number of holders of preference shares with voting rights restored as at the end of the last month prior to the disclosure of annual report (in the number of accounts)	N/A

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

3. INFORMATION ON SHAREHOLDERS AND THE DE FACTO CONTROLLER (CONTINUED)

(II) Shareholdings of the Top Ten Shareholders and Top Ten Holders of Tradable Shares (or holders of shares not subject to selling restrictions) as at the end of the Reporting Period

Shareholdings of the Top Ten Shareholders

Unit: Share

Name of shareholder (in full name)	Increase/ decrease during the reporting period	Number of shares held as at the end of the reporting period	Proportion (%)	The number of shares held subject to selling restrictions	Pledged or frozen shares		Class of Shareholder
					Status of the shares	No. of shares	
Yitai Group	0	1,600,000,000	49.17	1,600,000,000	Nil		Domestic non-state-owned legal person
HKSCC NOMINEES LIMITED	39,900	325,951,600	10.02	0	Unknown		Foreign legal person
Yitai Group (Hong Kong) Co., Ltd.	0	312,000,000	9.59	0	Nil		Foreign legal person
FTIF TEMPLETON ASIAN GROWTH FUND 5496	0	74,061,448	2.28	0	Unknown		Foreign legal person
China Merchants Securities (HK) Co., Limited	-26,000	22,082,500	0.68	0	Unknown		Foreign legal person
SCBHK A/C BBH S/A VANGUARD EMERGING MARKETS STOCK INDEX FUND	370,300	17,723,998	0.54	0	Unknown		Foreign legal person
EMPLOYEES PROVIDENT FUND BOARD	7,186,647	17,217,006	0.53	0	Unknown		Foreign legal person
Hu Jiaying	5,698,589	11,884,914	0.37	0	Unknown		Domestic natural person
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	1,999,800	11,883,694	0.37	0	Unknown		Foreign legal person
TEMPLETON EMERGING MARKETS INVESTMENT TRUST PLC	-7,209,859	10,020,178	0.31	0	Unknown		Foreign legal person

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

3. INFORMATION ON SHAREHOLDERS AND THE DE FACTO CONTROLLER (CONTINUED)

(II) Shareholdings of the Top Ten Shareholders and Top Ten Holders of Tradable Shares (or holders of shares not subject to selling restrictions) as at the end of the Reporting Period (Continued)

Top Ten Holders of Shares Not Subject to Selling Restrictions

Unit: Share

Name of shareholder (in full name)	Number of shares held not subject to selling restrictions	Class and number of shares	
		Class	Number
HKSCC NOMINEES LIMITED	325,951,600	Overseas listed foreign shares	325,951,600
Yitai Group (Hong Kong) Co., Ltd.	312,000,000	Domestic listed foreign shares	312,000,000
FTIF TEMPLETON ASIAN GROWTH FUND 5496	74,061,448	Domestic listed foreign shares	74,061,448
China Merchants Securities (HK) Co., Limited	22,082,500	Domestic listed foreign shares	22,082,500
SCBHK A/C BBH S/A VANGUARD EMERGING MARKETS STOCK INDEX FUND	17,723,998	Domestic listed foreign shares	17,723,998
EMPLOYEES PROVIDENT FUND BOARD	17,217,006	Domestic listed foreign shares	17,217,006
Hu Jiaying	11,884,914	Domestic listed foreign shares	11,884,914
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	11,883,694	Domestic listed foreign shares	11,883,694
TEMPLETON EMERGING MARKETS INVESTMENT TRUST PLC	10,020,178	Domestic listed foreign shares	10,020,178
PFA PROFESSIONAL FORENING	7,712,170	Domestic listed foreign shares	7,712,170
Details of the above shareholders who are connected to each other or acting in concert		Among the top ten shareholders of the Company, Yitai Group (Hong Kong) Co., Ltd. is a wholly-owned subsidiary of Yitai Group, a holder of domestic legal person shares. The Company is not aware whether there are other holders of foreign shares who are connected to each other or acting in concert.	
Details of the preference shareholders whose voting rights have been restored and the number of shares held		N/A	

Note: The H shares held by HKSCC Nominees Limited are held on behalf of its multiple clients.

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS *(Continued)*

3. INFORMATION ON SHAREHOLDERS AND THE DE FACTO CONTROLLER *(CONTINUED)*

(II) Shareholdings of the Top Ten Shareholders and Top Ten Holders of Tradable Shares (or holders of shares not subject to selling restrictions) as at the end of the Reporting Period *(Continued)*

The number of shares held by top ten holders of shares subject to selling restrictions and the conditions of selling restrictions

Unit: Share

No.	Name of shareholder subject to selling restrictions (in full name)	Number of shares held subject to selling restrictions	Listing status of shares which are subject to selling restrictions		Reason for selling restrictions
			eligible listing time	number of new listed shares	
1	Yitai Group	1,600,000,000			Domestic non-state owned legal person shares
Details of the above shareholders who are connected to each other or acting in concert		Yitai Group is the controlling shareholder of the Company.			

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS *(Continued)*

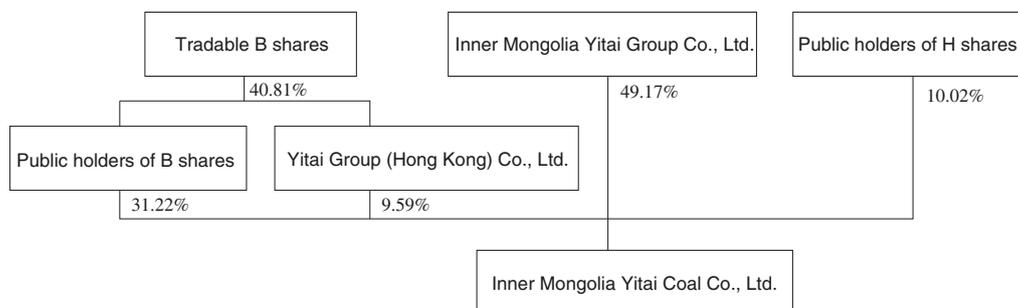
IV. INFORMATION ON CONTROLLING SHAREHOLDERS AND THE DE FACTO CONTROLLER

(I) Information on the controlling shareholder

1. Legal person

Name (in full name)	Yitai Group
Responsible person of the institution or legal representative	Zhang Donghai
Date of Incorporation	27 October 1999
Principal business	The production of raw coal; the processing, transportation and selling of raw coal; the railway construction and the railway transportation of passengers and goods; the import of equipments, accessories and technology for mines; the construction and operation of highways; the coal chemical operation and selling of coal chemical products; selling of pre-packaged, unpackaged food, and dairy products (excluding infant formula milk powder); retail of vegetables, fruits and raw meat. (for project subject to the approval of the law, business activities shall be only carried out after approval from relevant departments is obtained).

2. Chart concerning the property rights and controlling relationship between the Company and the controlling shareholders



CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

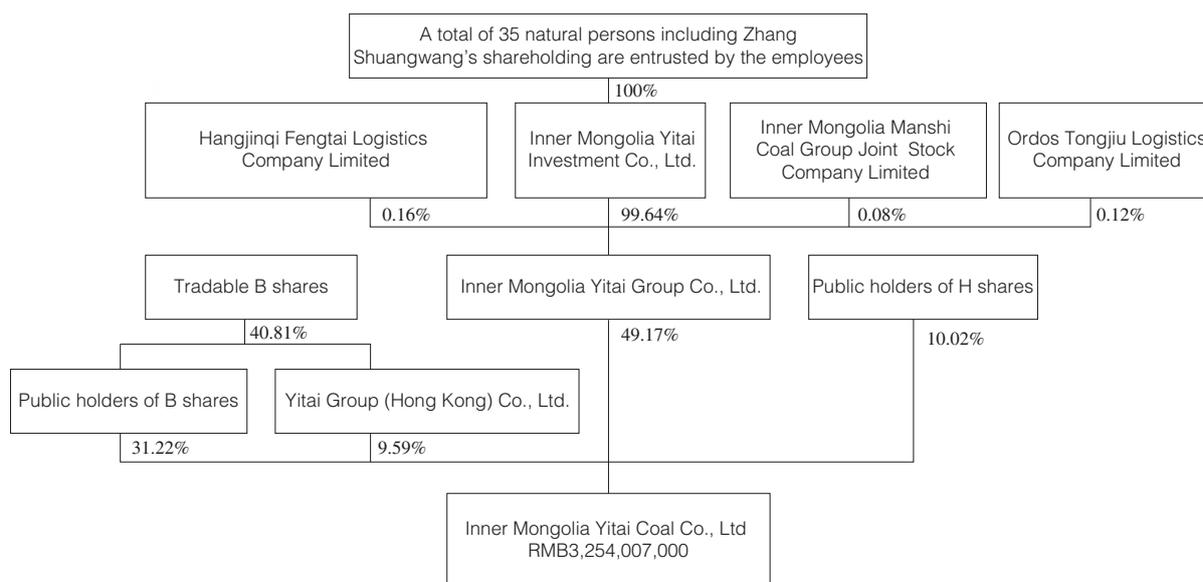
IV. INFORMATION ON CONTROLLING SHAREHOLDERS AND THE DE FACTO CONTROLLER (CONTINUED)

(II) Information on the de facto controller

1. Legal person

Name (in full name)	Inner Mongolia Yitai Investment Co., Ltd. (內蒙古伊泰投資有限責任公司)
Responsible person of the institution or legal representative	Zhang Shuangwang
Date of incorporation	2 December 2005
Principal business	The investment in the energy industry and the railway construction.
Holdings or joint stock in other domestic and overseas listed companies	None

2. Chart concerning the property rights and controlling relationship between the company and the de facto controller





CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS *(Continued)*

IV. INFORMATION ON CONTROLLING SHAREHOLDERS AND THE DE FACTO CONTROLLER *(CONTINUED)*

(III) Other information on the controlling shareholder and the de facto controller

Yitai Group holds 1,600 million shares of the Company, representing 49.17% of the total share capital of the Company. The registered capital: RMB1,250 million, the equity proportion: Inner Mongolia Yitai Investment Co., Ltd., holding the shares on behalf of the employees in the Group, contributed RMB1,245.50 million, representing 99.64%, Inner Mongolia Gaofeng Enterprise Group Company Limited (內蒙古高峰企業集團有限責任公司) contributed RMB2 million, representing 0.16%, Inner Mongolia Manshi Coal Group Joint Stock Company Limited (內蒙古滿世煤炭集團股份有限公司) contributed RMB1 million, representing 0.08%, and Ordos Tongjiu Material Company Limited (鄂爾多斯市通九物資有限責任公司) contributed RMB1.50 million, representing 0.12%. On 17 January 2017, Inner Mongolia Gaofeng Enterprise Group Company Limited transferred its 0.16% shareholding in Yitai Group to Hangjinqi Fengtai Logistics Company Limited (杭錦旗峰泰物流有限責任公司) at the consideration of RMB2.20 million, and the equity proportion of Yitai Group after the equity transfer will be: Inner Mongolia Yitai Investment Co., Ltd. holds 99.64%, Hangjinqi Fengtai Logistics Company Limited holds 0.16%, Inner Mongolia Manshi Coal Group Joint Stock Company Limited holds 0.08%, Ordos Tongjiu Material Company Limited holds 0.12%. The corporate nature of the Company is a limited liability company. The scope of business of Yitai Group includes the production of raw coal, the processing, transportation and sales of raw coal, the railway construction and the railway transportation of passengers and goods, the import of equipments, accessories and technology for mines, the construction and operation of highways, the coal chemical operation and selling of coal chemical products. Sales of pre-packaged food and bulk food, dairy products (excluding infant formula milk powder), retails of vegetables, fruits and raw meat. (Items that are subject to approvals can only be traded upon obtaining the approvals of relevant departments). The legal representative is Zhang Donghai. The registered address is Liuzhongnan Jiefang Area, No.14 South Yimei Road, Dongsheng District, Ordos City (鄂爾多斯市東勝區伊煤路南14號街坊區六中南). No shares held have been pledged or frozen.

V. OTHER CORPORATE SHAREHOLDERS HOLDING MORE THAN 10% SHARES OF THE COMPANY

As at the end of the reporting period, there was no other legal person holding more than 10% shares of the Company.

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (Continued)

VI. SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, so far as was known to directors, supervisors or chief executives of the Company, the following persons or corporations (other than directors, supervisors or chief executives of the Company) who had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Article 336, Section 571 of the Securities and Futures Ordinance (chapter 571 of the Laws of Hong Kong) ("SFO") or as otherwise notified to the Company were as follows:

Name of substantial shareholder	Class of shares	Type of interest	Long/Short position	No. of shares	Percentage of the underlying shares in issue (%) ^{5, 6}	Percentage of the total issued shares (%) ^{5, 6}
Billion Giant Development Limited ¹	H shares	Interest of controlled corporation	Long	20,017,000	6.14	0.61
BOS Trustee Limited as Trustee ¹	H shares	Trustee	Long	20,017,000	6.14	0.61
Chen Yihong ²	H shares	Interest of controlled corporation	Long	20,017,000	6.14	0.61
China Datang Corporation ³	H shares	Interest of controlled corporation	Long	18,031,100	11.08	0.55
CITIC Mezzanine(Shanghai) Investment Centre (Limited Liability Partnership)	H shares	Beneficial owner	Long	17,543,200	5.38	0.53
Datang International (Hong Kong) Limited ³	H shares	Beneficial owner	Long	18,031,100	11.08	0.55
Datang International Power Generation Co., Ltd. ³	H shares	Interest of controlled corporation	Long	18,031,100	11.08	0.55
Great Huazhong Energy Co. Ltd	H shares	Beneficial owner	Long	27,168,000	8.33	0.83
Harvest Luck Development Limited ²	H shares	Interest of controlled corporation	Long	20,017,000	6.14	0.61
Inner Mongolia Manshi Investment Group Limited	H shares	Beneficial owner	Long	28,321,000	8.68	0.87
Inner Mongolia Ordos Investment Holding Group Co., Ltd.	H shares	Beneficial owner	Long	55,443,600	17.00	1.70

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS *(Continued)*

VI. SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES AND UNDERLYING SHARES *(CONTINUED)*

Name of substantial shareholder	Class of shares	Type of interest	Long/Short position	No. of shares	Percentage of the underlying shares in issue (%) ^{5, 6}	Percentage of the total issued shares (%) ^{5, 6}
Yitai Group ⁴	Non-overseas listed foreign shares	Beneficial owner/ Interest of controlled corporation	Long	1,912,000,000	65.30	58.75
Inner Mongolia Yitai Investment Co., Ltd. ⁵	Non-overseas listed foreign shares	Interest of controlled corporation	Long	1,912,000,000	65.30	58.75
Ordos Hongrui Trade Company Limited	H shares	Beneficial owner	Long	27,168,000	8.33	0.83
Poseidon Sports Limited ¹	H shares	Beneficial owner	Long	20,017,000	6.14	0.61
Talent Rainbow Far East Limited ¹	H shares	Interest of controlled corporation	Long	20,017,000	6.14	0.61
Yitai HK ⁴	Non-overseas listed foreign shares	Beneficial owner	Long	312,000,000	10.65	9.58



CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS *(Continued)*

VI. SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES AND UNDERLYING SHARES *(CONTINUED)*

Notes:

1. According to the disclosure of interest form submitted to the Hong Kong Stock Exchange, Poseidon Sports Limited holds 20,017,000 shares (long position) of the Company. Talent Rainbow Far East Limited and Smart Stage Holdings Limited hold 50% and 7.57% of interests in Poseidon Sports Limited, respectively. Talent Rainbow Far East Limited is wholly owned by Billion Giant Development Limited which is wholly owned by BOS Trustee Limited as Trustee. Smart Stage Holdings Limited is wholly owned by Wise Bonus Group Limited which is wholly owned by BOS Trustee Limited as Trustee. Pursuant to the SFO, Billion Giant Development Limited, BOS Trustee Limited as Trustee and Talent Rainbow Far East Limited are deemed to be interested in the 20,017,000 shares (long position) held by Poseidon Sports Limited, representing 6.14% of the H shares in issue.
2. According to the disclosure of interest form submitted to the Hong Kong Stock Exchange, Harvest Luck Development holds 42.43% in Poseidon Sports Limited while Harvest Luck Development Limited is wholly owned by Chen Yihong. Pursuant to the SFO, Chen Yihong and Harvest Luck Development Limited are deemed to be interested in the 20,017,000 shares (long position) held by Poseidon Sports Limited.
3. According to the disclosure of interest form submitted to the Hong Kong Stock Exchange, Datang International (Hong Kong) Limited holds 18,031,100 shares (long position) of the Company. Datang International (Hong Kong) Limited is wholly owned by Datang International Power Generation Co., Ltd. while China Datang Corporation holds 34.71% of interests of Datang International Power Generation Co., Ltd.. Pursuant to the SFO, Datang International Power Generation Co., Ltd. and China Datang Corporation are deemed to be interested in the 18,031,100 shares (long position) held by Datang International (Hong Kong) Limited, representing 11.08% of the H shares in issue as at 12 July 2012. As at 31 December 2016, the above 18,031,100 shares represented 5.53% of the H shares in issue.
4. Yitai Group holds the entire issued share capital of Yitai HK and is thus deemed to be interested in the 312,000,000 shares held by Yitai HK. Yitai Group directly holds 1,600,000,000 domestic shares.
5. Inner Mongolia Yitai Investment Co., Ltd. holds 99.64% of the registered capital of Yitai Group and is thus deemed to be interested in all of the 1,912,000,000 shares directly or indirectly held by Yitai Group.
6. According to the Articles of Association, the Company has two classes of shares, namely (i) "non-overseas-listed-foreign shares" which include domestic shares and B shares; and (ii) H shares.
7. The percentage of shareholdings is rounded down to the two decimal places.

Save as disclosed above, as at 31 December 2016, no person, other than the directors and supervisors of the Company whose interests are set out in the section headed "DIRECTORS, SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES" below, had any interest or short position in the shares or underlying shares of the Company that are required to be recorded in the register of interests required to be kept pursuant to Article 336 of the SFO.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION

(I) Biographies, change of shareholdings and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period

Unit: Share

Names	Position (Note)	Gender	Age	Starting date of term	End date of term	Total remuneration before tax received from the Company for the period (RMB'000)	Remuneration from related parties of the Company
Zhang Donghai	Chairman	male	47	30 May 2014	29 May 2017	1,491.7	Yes
Liu Chunlin	Executive Director	male	50	30 May 2014	29 May 2017	979.7	Yes
Zhang Dongsheng	Executive Director	male	46	30 May 2014	29 May 2017	12	Yes
Ge Yaoyong	Executive Director	male	47	30 May 2014	29 May 2017	12	Yes
Zhang Jingquan	Executive Director	male	47	15 December 2015	29 May 2017	805.2	Yes
Lv Guiliang	General Manager Executive Director	male	51	14 September 2015 30 May 2014	29 May 2017	963.5	No
	Chief Finance Officer			April 2008	29 May 2017		
Song Zhanyou	Executive Director	male	52	30 May 2014	29 May 2017	969.2	No
Yu Youguang	Independent Director	male	62	30 May 2014	29 May 2017	100	No
Qi Yongxing	Independent Director	male	46	30 May 2014	29 November 2016	91.7	No
Tam Kwok Ming, Banny	Independent Director	male	54	30 May 2014	29 May 2017	200	No
Zhang Zhiming	Independent Director	male	55	9 June 2015	29 May 2017	100	No
Huang Sujian	Independent Director	male	62	29 November 2016	29 May 2017	8.3	No
Li Wenshan	Chairman of the Board of Supervisors	male	55	30 May 2014	29 May 2017	765.1	Yes
Han Zhanchun	Supervisor	male	53	30 May 2014	29 May 2017	298	No
Wang Xiaodong	Supervisor	male	46	30 May 2014	29 May 2017	607.4	No
Jia Xiaolan	Supervisor	female	43	9 June 2015	29 May 2017	256	No
Ji Zhifu	Supervisor	male	33	30 May 2014	29 May 2017	7.2	Yes
Wang Yongliang	Independent Supervisor	male	54	30 May 2014	29 May 2017	60	No
Wu Qu	Independent Supervisor	male	52	30 May 2014	29 May 2017	60	No
Liu Jian	Deputy Manager	male	50	30 May 2014	29 May 2017	861.7	No
Zhang Guisheng	Chief Engineer	male	54	25 August 2015	27 October 2016	872.2	No
Zhang Mingliang	Chief Engineer	male	48	27 October 2016	29 May 2017	993.5	No
Lv Junjie	Deputy Manager	male	49	27 October 2016	29 May 2017	541.3	No
Zhaoxin	Secretary to the Board/Joint Company Secretary	female	35	23 April 2015	29 May 2017	261	No
Total	/	/	/	/	/	11,317	/



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

(I) Biographies, change of shareholdings and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Zhang Donghai	Gender: Male. Nationality: Chinese. Ethnicity: Han ethnicity. Mr. Zhang was born in 1970 and joined Chinese Communist Party in June 1993. He possesses a master's degree, a title of senior economist and was awarded as the national model worker and he has not held any right of overseas permanent residence. Mr. Zhang served in Ikochao League Coal Company (伊克昭盟煤炭集團公司), from April 1990 to July 1999 as the vice chief and the chief of the Beijing branch office and the deputy head of the Operation Department and the deputy manager of the business operating company under the same company. He was our vice general manager from July 1999 to February 2001 and has been acting as an executive director of our Company since March 2001 and has been served as the chairman of our Company since April 2003. Mr. Zhang served as the vice general manager of Yitai Group from April 2003 to June 2004, and the general manager of the Yitai Group from 2004 to January 2017. He has been acting as a director of Inner Mongolia Yitai Investment Co., Ltd. since March 2006 and Yitai HK since October 2008, respectively. He has been acting as the Chairman of Yitai Group since August 2016. He also serves as the president of Yitai Group since January 2017.
Liu Chunlin	Gender: Male. Ethnicity: Han ethnicity. Mr. Liu was born in 1967 and possesses a master's degree and a title of senior accountant. He worked in Ikochao League Coal Company from June 1989 to February 1993 and was appointed as the vice chief of the Finance Department of Yitai Group from February 1993 to August 1997 and as the director of the Finance Department of our Company from August 1997 to July 1999. Mr. Liu served as the financial director of our Company from July 1999 to October 2002, the deputy chief accountant of Yitai Group from October 2002 to May 2004, the vice president of our Company from May 2004 to October 2004 and has been the Director and Chief Account of our Company since June 2004 and the director of Inner Mongolia Yitai Investment Co., Ltd. since March 2006 and has been the Director of Yitai HK since October 2008 and has been the executive director of the Company since March 2001.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

(I) Biographies, change of shareholdings and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Zhang Dongsheng	Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1971 and possesses a master's degree and titles of senior economist and business manager. He worked in Ikocho League Coal Company from October 1989 to January 2002, served as the director of the Operation Department of our Company from January 2002 to July 2005. Mr. Zhang was the deputy general manager of Zhundong Railway Company from August 2005 to January 2007, and acted as the chairman of Zhundong Railway Company since November 2008 to August 2014, and served as the general manager of Huzhun Railway Company from January 2007 to August 2014 and also as the Director of Yitai Group since November 2008. Mr. Zhang was entitled as the chairman of Huzhun Railway Company from July 2009 to August 2014. He acted as the deputy general manager of Yitai Group from March 2014 to January 2017 and then from 2017 as the vice president of the Company as well as the executive director of the Company since May 2009.
Ge Yaoyong	Gender: Male. Ethnicity: Han ethnicity. Mr. Ge was born in 1970 and possesses a master's degree and a title of senior engineer. He served as the deputy manager and the manager of E'qian League Coking Factory from November 1996 to March 2001, and was promoted as the deputy general manager of the Company from March 2001 to August 2005. Mr. Ge was appointed as the deputy chief engineer of Yitai Group from August 2005 to November 2008, and from November 2008 to March 2014, the general manager of the Company. He was appointed and still serves as the Director of Yitai Group since November 2008. From March 2014 to January 2017, he served as the deputy general manager of Yitai Group and then from January 2017 as the vice president of the company and also acts as the chairman and general manager of Inner Mongolia Yitai Property Co. Ltd. since July 2014. He also has been the executive director of the Company since December 2008.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

(I) Biographies, change of shareholdings and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Zhang Jingquan	Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1970 and graduated with a master degree in business administration major of China Europe International Business School. Mr. Zhang worked in Yihua United Wool Manufacturing Factory (伊華聯合毛紡織工廠) from January 1994 to January 1998; he served as the cashier in Tianjin Branch of the Company from March 1998 to August 2000, the manager of Guangzhou Sales Branch of the Operation Department under the Company from August 2000 to April 2001, the manager of the sales branch in South China of the Operation Department under the Company from April 2001 to August 2005, and the deputy manager of the Operation Department and manager of the sales company in South China sales branch of the Company from February 2002 to March 2003. Mr. Zhang acted as the director of the Operation Department of Yitai Group from August 2005 to 5 March 2006, the manager of coal transportation and sales business department of Yitai group from 5 March 2006 to 27 March 2006; the deputy general manager of Synfuels China under Yitai group from March 2006 to November 2010 and the deputy general manager of Yitai Energy Co., Ltd. of Yitai Group from November 2010 to January 2012. He worked as the general manager of Yitai Xinjiang Energy Co., Ltd. since January 2012. Mr. Zhang was appointed and now still serves as the chairman and general manager of Yitai Xinjiang Energy Co., Ltd. since December 2012. He also serves as the president of Xinjiang Yitai Co., Ltd. since October 2014, the chairman and general manager of Inner Mongolia Yitai Chemical Co., Ltd. since September 2015, the Director of Yitai Group and the general manager of the Company since September 2015 and the executive director of the Company since December 2015.
Lv Guiliang	Gender: Male. Ethnicity: Han ethnicity. Mr. Lv was born in 1966 and possessed a master's degree of Business Administration and a title of semi- senior accountant. He served in Ikocho League Coal Company from August 1994 to August 1997 and joined our Company in August 1997, acting as the vice director of our Finance Department from July 1999 to November 2002, the director of the same department from March 2004 to February 2009. Since April 2008 and February 2011, Mr. Lv has been serving as the chief finance officer and the executive director of our Company, respectively.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

(I) Biographies, change of shareholdings and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Song Zhanyou	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Song was born in 1965 and graduated from Shanxi Mining Institute (山西礦務學院) majoring in mining engineering and has the qualification of senior engineer. Mr. Song was appointed as the technician and deputy director in the mining and stripping division of Houbulian Open Mine owned by Dongsheng Coalfield Development and Operation Company (東勝煤田開發經營公司) from July 1988 to September 1990, from October 1990 to September 1994, the chief of Engineering Division of Zhanpanliang Mine belonging to Ikocho League Coal Company. Mr. Song acted as the chief of the Production Technology Division of Yitai Group Co., Ltd. (predecessor: Ikocho League Coal Company) from October 1994 to February 1999, director of Erdaomao Mine of Yitai Group Co., Ltd. from March 1999 to December 2000, and the deputy manager of the Industry Company of Yitai Group Co., Ltd. (伊泰集團有限公司產業公司) from January 2001 to March 2001, the head of Safety Supervision Department of Yitai Group from April 2001 to July 2003; the head of Corporate Management Department of Yitai Group from August 2003 to April 2007. Served as the director of the engineering department and deputy general manager of Inner Mongolia Yitai Guanglian Coal Chemical Co., Ltd. from May 2007 to November 2010. He was also the deputy general manager of Yitai Yili Energy Co., Ltd. from December 2010 to February 2012; the general manager of Yitai Yili Energy Co., Ltd. from March 2012 to December 2012; and the chairman and general manager of Yitai Yili Energy Co., Ltd. from January 2013 to March 2014. Mr. Song was appointed as the deputy manager of the Company in March 2014 and appointed as the executive director of the Company in May 2014.</p>
Yu Youguang	<p>Gender: Male, Ethnicity: Han ethnicity, born in 1955, holds an associate degree and is a certified accountant and senior auditor. Mr. Yu is the deputy president of Inner Mongolia Zhongtian Huazheng Accounting Firm and the executive councilor of Certified Public Accountant Association of Inner Mongolia Autonomous Region. He has extensive experience in financial and accounting. He taught in Inner Mongolia Light Industry School from July 1981 to November 1985. He worked in the Audit Bureau of Baotou from November 1985 to September 1999. He has been serving as the deputy president of Inner Mongolia Zhongtian Huazheng Accounting Firm since September 1999. He was appointed as independent non-executive director of the Company since June 2013.</p>



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

(I) Biographies, change of shareholdings and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Qi Yongxing	Gender: Male, Ethnicity: Han ethnicity, born in 1971, holds a master degree of management. Mr. Qi serves in the capacities of associate dean and associate professor in the MBA Institute of Education in Inner Mongolia Finance & Economics College. Mr. Qi has 19 years of experience in the education and practices of management. Mr. Qi taught in the department of industrial economics in Cadre Institute of Inner Mongolia Economic Management from July 1994 to December 1999. He has worked in the Inner Mongolia Finance & Economics College since January 2000 and was the deputy director in the department of human resource management in 2002, the head of department of property management in 2007 and the associate dean of MBA Institute of Education in 2011. He obtained his bachelor degree in engineering from the department of management engineering in Inner Mongolia University of Technology in 1994, master degree in management from Dongbei University of Finance and Economics in 2006, He was appointed as independent non-executive director of the Company from December 2013 to November 2016.
Tam Kwok Ming, Banny	Gender: Male, Ethnicity: Han ethnicity, born in 1963, Hong Kong resident, Mr. Tam obtained a certification of accountancy from the Hong Kong Polytechnic University (香港理工大學) in 1993. He holds the qualification of Certified Public Accountant and a fellow member of Hong Kong Institute of Certified Public Accountants (formerly known as the “Hong Kong Society of Accountants”). Mr. Tam is currently a partner of a Hong Kong accounting firm. He was appointed as independent non-executive director of the Company since February 2011.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

(I) Biographies, change of shareholdings and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Zhang Zhiming	Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1962 and possessed a doctoral degree of laws and now serves as the professor and doctoral supervisor of Renmin University of China. Mr. Zhang finished his undergraduate courses in law from Peking University in 1983 and the graduate courses in law from the same university in 1986. He obtained a doctoral degree of law from Graduate School of Chinese Academy of Social Sciences in 1998 and worked in Social Sciences in China Press of Chinese Academy of Social Sciences as the editor and associate senior editor from 1986 to 1994. From 1994 to 2004, Mr. Zhang was appointed as the associate researcher and researcher in Institute of Law of Chinese Academy of Social Sciences, and the professor and doctoral supervisor in Graduate School of Chinese Academy of Social Sciences from 1998 to 2004. From June 2004 to July 2005, Mr. Zhang served as the vice president, member of the Party Committee and the professor of National Prosecutors College of P.R.C, and now serves as the professor and doctoral supervisor in Institute of Law of Renmin University of China since September 2005, while holding the post of the independent director of Shanxi Top Energy Co., Ltd., Shanxi Taigang Stainless Steel co., Ltd., Zhejiang China Commodities City Group Co., Ltd. and Wolong Real Estate Group Co., Ltd.. Mr. Zhang has been serving as the independent non-executive director of our company since June 2015.
Huang Sujian	Gender: Male. Ethnicity: Han ethnicity. Mr. Huang was born in 1955, and has been working in the Institute of Industrial Economics of Chinese Academy of Social Sciences since 1988 and is a researcher of the Institute of Industrial Economics of Chinese Academy of Social Sciences currently. He achieved a bachelor degree and a master degree of economics from Xiamen University in 1982 and 1985, respectively, and a doctor degree of economics from the Chinese Academy of Social Sciences in 1988. He mainly researches in company merger and acquisition, business organization and enterprise reform. Mr. Huang Sujian has been the independent non-executive director of the Company since November 2016.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

(I) Biographies, change of shareholdings and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Li Wenshan	Gender: Male. Ethnicity: Han ethnicity. Mr. Li was born in 1962 and possessed a bachelor's degree and a title of semi-senior economist. He worked in Ikochao League Coal Company from September 1992 to July 1997 and joined our Company in August 1997 as the director of the Company from July 1997 to December 2008. From August 2005 to November 2008 and from January 2002 to March 2004, Mr. Li was appointed as the deputy general manager of the Company, and then the deputy general manager and general manager of Zhundong Railway Company from March 2004 to August 2005. Mr. Li has been acting as the chairman of the board of supervisors of Yitai Group since November 2008 and the chairman of the Supervisory Committee of our Company since December 2008.
Han Zhanchun	Gender: Male. Ethnicity: Han ethnicity. Mr. Han was born in 1964 and possessed an associate degree. Mr. Han was the accountant of the Tanggongta Mine of Ikochao League Coal Company from May 1992 to January 1995, the accountant, deputy director, deputy head and the head of finance department of the Fengzhen Office of Ikochao League Coal Company from January 1995 to November 1999, the head of Finance Department of our Qinhuangdao office from November 1999 to August 2005, the principal accountant of the office of Suancigou Mine from August 2005 to April 2007, the head of the finance department of Suancigou Mine from April 2007 to March 2010. He was the deputy head of the Finance Department of our Company from March 2010 to December 2010, the director of Operating Office of the Department of Coal Production of our Company from December 2010 to 14 July 2013, and an engineer at the level of deputy head of Cost-fixing Division of General Office of Department of Coal Production from 15 July 2013 to April 2015. Mr. Han has been acting as the secretary of Board of Directors of Suancigou Mine since April 2015, and the supervisor of the Company from February 2011.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

(I) Biographies, change of shareholdings and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Wang Xiaodong	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Wang was born in 1971 and possessed a master's degree. He joined Ikocho League Coal Company in September 1993 and served in the planning division and transportation office of Baotou Branch. Mr. Wang joined our Company in February 1997 and was successively appointed as the deputy office director of the transportation company, director of Planning Division for Wanshuiquan Project, and director of Baohuan Transportation and Dispatching Division. Mr. Wang was the deputy head of Loading Facility in Baoshen Line from April 2001 to February 2002, and deputy manager of the Transportation Department from February 2002 to February 2004. From February 2004 to July 2004, Mr. Wang was the head of the Office of Huhhot. He was the head of Tianjin Office of the Operation Department from July 2004 to August 2005. From August 2005 to March 2006, Mr. Wang was the chief of the Qinhuangdao Office of the Operation Department. From March 2006 to April 2007, he was the chief of the Qinhuangdao Office of the Coal Transportation and Sales Department. Mr. Wang was the head of the Supplies Purchase and Supply Department of the Company from April 2007 to November 2010. He was the deputy general manager of Coal-to-oil Company from November 2010 to July 2012. From July 2012 to March 2013, Mr. Wang was the general manager of the Yitai Oil Product Selling Co., Ltd. (伊泰油品銷售有限公司), and from March 2013 to the present, Mr. Wang is the general manager of Yitai Petroleum & Chemical Co., Ltd.(伊泰石油化工有限公司). He was appointed as the chairman of Inner Mongolia Yitai Petroleum & Chemical Co., Ltd. from January 2014 to February 2016 and was appointed as the supervisor of the Company since April 2013.</p>
Ji Zhifu	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Ji was born in 1984 and possessed a bachelor's degree. He worked in Yitai Zhundong Railway LLC from July 2005 to October 2006 and served in the Finance department of our Company from October 2006 to February 2009. He was the deputy head of the Finance Department of our Company from March 2008 to February 2009, the director of General Affair Office of Coal Transportation and Sales Business Department of our Company from February 2009 to September 2011 and to March 2013. Mr. Ji was appointed as the head of our Corporate Management Department from March 2013 to March 2015 and now serves as the deputy general manager in Inner Mongolia Yitai Property Co., Ltd. (內蒙古伊泰置業有限責任公司) since March 2015 and the supervisor of our company since February 2011.</p>



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

(I) Biographies, change of shareholdings and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Wang Yongliang	Gender: Male. Ethnicity: Han ethnicity. Mr. Wang was born in 1963 and possessed a master's degree and was granted the qualification of Level 2 Lawyer. He was a member of Ikochao League correctional division from August 1985 to December 1986, a teacher in Ikochao League Politics & Law School from December 1986 to March 1990, the deputy head of the correctional division and office of the judicial department of Ikochao League from March 1990 to April 1996, the head of business department of Ikochao League Law Firm from April 1996 to March 2001. Mr. Wang has been acting as the director of Inner Mongolia Ikochao League Law Firm since March 2001, and a supervisor of our Company since February 2011.
Wu Qu	Gender: Male. Ethnicity: Han ethnicity. Mr. Wang was born in 1965 and possessed a bachelor's degree. He acted as the head of Finance Department of Ikochao League Dongsheng Food Industry Company (伊克昭盟東勝食品工業公司) from July 1986 to October 1994, the head of Finance Department of Inner Mongolia Shengyi Plastic Products Co., Ltd. (內蒙古勝億塑料製品有限公司) from October 1994 to December 1998, the finance manager of Ordos Rongze Food Co., Ltd. (鄂爾多斯榮澤食品有限責任公司) from December 1998 to October 2000. Mr. Wu has been serving as the head of the Auditing Department of Inner Mongolia Dongshen Accounting Firm Co., Ltd (內蒙古東審會計師事務所有限責任公司) since July 2001 and a supervisor of the Company since February 2011.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

(I) Biographies, change of shareholdings and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Jia Xiaolan	Gender: Female. Ethnicity: Han ethnicity. Ms. Jia was born in 1973 and possessed a bachelor's degree and was granted with qualifications of engineer and registered cost engineer. She worked in Ikochao League First Construction Engineering Company (伊盟一建) (now renamed Erdos Da Hua Construction Group LLC)(鄂爾多斯大華建築集團有限責任公司) from July 1993 to July 2000, and served in Erdos Defeng Project Management LLC. (鄂爾多斯市得豐工程項目管理有限責任公司) from July 2000 to July 2005 as the deputy director of Installation Budgeting Division (安裝預結算). In August 2005, Ms. Jia transferred to Yitai Group as the installation budgeting engineer in Construction Cost Center of the Group from August 2005 to October 2006 and served as the deputy chief and chief of the same division from October 2006 to March 2010, and from March 2010 to April 2011, respectively. She was the vice director of Internal Control and Audit Department of the Group from April 2011 to July 2013 and was promoted as the director for a working period from July 2013 to January 2014. Ms. Jia has been acting as the director of Internal Control and Audit Department of the Company from January 2014, and a supervisor of the Company from June 2015.
Liu Jian	Gender: Male. Ethnicity: Han ethnicity, born in 1967, holds a doctoral degree. He graduated from the Universitat Duisburg- Essen in July 2004 with a Doctor's degree in cardiology. He acted as the project manager in China of Germany Special Machinery Company (德國迪目根特種機器公司) from August 2004 to June 2005, executive deputy general manager of Inner Mongolia Yitai Pharmaceutical Co., Ltd. (內蒙古伊泰藥業有限責任公司) from August 2005 to February 2007, Mr. Liu was granted the qualification of fellow senior chief pharmacist by the Department of Personnel of Inner Mongolia Autonomous Region (內蒙古人事廳) in July 2006. He was the general manager of Inner Mongolia Yitai Pharmaceutical Co., Ltd. from February 2007 to August 2012. He was appointed as the deputy manager of the Company since December 2012.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

(I) Biographies, change of shareholdings and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Zhang Guisheng	Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1963 and possessed a title of semi-senior engineer. He acted as the supervisor of the Company from 15 October 2012 to June 2015 and has extensive experience in the production, operation and management of coal enterprises. Mr. Zhang served as the deputy head of the sales division of the Industrial Development Company from February 1997 to April 1999, the deputy head of the safety technology division of the Industrial Development Company from April 1999 to September 1999, the head of Chuanlong Coal Mine from September 1999 to February 2002, the head of Nalinmiao Coal Mine of the production technology department from February 2002 to March 2006 and the head of Dadijing Coal Mine from March 2006 to August 2013. From August 2013 to March 2014, Mr. Zhang served as the vice chairman and deputy general manager of Yili Energy, the chairman and general manager of the same company from 15 March 2014 to August 2015 and acted as the chief engineer of our Company from August 2015 to October 2016.
Zhang Mingliang	Gender: Male. Ethnicity: Han ethnicity. Mr. Zhang was born in 1969 and possessed a master's degree. He was granted with a qualification of semi-senior engineer and held various positions in our Company as the deputy spot chief of Nalinmiao Mine No. 1 mine, the spot chief of Nalinmiao Mine No. 4 mine, the deputy head and the head of Nalinmiao Mine and the deputy head of Nalinmiao Mine No. 2 mine from November 1997 to June 2009. Mr. Zhang was appointed as the head of Sujiahao Mine of Yitai Group from June 2009 to March 2011, the director of Jungar Temple dispatching station of our Coal Transportation Department from March 2011 to February 2012, the deputy general manager of our Production Department from February 2012 to September 2012, the supervisor of our Company from April 2002 to October 2012 and the chief engineer of the Company from May 2014 to August 2015 and from October 2016.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

(I) Biographies, change of shareholdings and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period (Continued)

Name	Biographies
Lv Junjie	<p>Gender: Male. Ethnicity: Han ethnicity. Mr. Lv is a member of Chinese Communist Party and was born in 1967. He graduated from Huazhong University of Science and Technology with a master degree in EMBA and is a senior economist. Mr. Lv Junjie worked as a teacher in Jungar Banner Nalin Middle School (准格爾旗納林中學) from July 1985 to July 1991; worked in the Administrative department of Labour of Yimeng Coal Company (伊盟煤炭公司政工勞資科) from July 1991 to December 1991; acted as the secretary of Resident Chinese Communist Party Committee Office in Yimeng Coal Company from December 1991 to April 1992; acted as the deputy secretary and secretary of Communist Youth Party Committee of Yimeng Coal Company from April 1992 to April 1997; the director of Materials Sales Department of the Company and the manager assistant of Industrial Development Company from April 1997 to February 2001; the deputy manager and manager of Materials Supply Department of the Company from February 2001 to April 2004; the director of Xiyingsi Collection and Transportation Centre of the Company from April 2004 to May 2005; the minister of Business Development Department of the Company from May 2005 to October 2008; the minister of Environment Monitoring Department of the Company from October 2008 to February 2012; the deputy general manager of Coal-to-oil Company from February 2012 to November 2013; the deputy general manager of Coal-related Chemical Operation under Yitai Group from November 2013 to October 2016. He has been the deputy manager of the Company since October 2016.</p>
Zhao Xin	<p>Gender: Female. Ethnicity: Han ethnicity. She was born in 1981 and is the Board secretary/joint company secretary and director of the Investor Relation and Management Department of the Company. Ms. Zhao graduated from Inner Mongolia University of Finance and Economics with a bachelor's degree in management in July 2003 and graduated from Capital University of Economics and Business with a master's degree in management in July 2008. In July 2012, Ms. Zhao graduated from Chinese Academy of Social Sciences with a doctoral degree in management. Ms. Zhao joined the Securities Department of the Company in August 2008. She served as the head of the Information Disclosure Sector under the Securities Department of the Company from December 2010 to June 2013. She served as the vice director of the Securities Department of the Company from July 2013 to March 2015. Ms. Zhao has served as the securities affairs representative of the Company from August 2013 to March 2015 and she has been the director of Investor Relation and Management Department of the Company since March 2015. She was appointed as secretary to the Board/joint company secretary of the Company in April 2015.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

II. PARTICULARS ABOUT THE INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(I) Particulars concerning positions held in shareholders' entities

Name of incumbent	Name of shareholders' entity	Position held in shareholders' entity	Starting date of term
Zhang Donghai	Yitai Group	Chairman	8 August 2016
Liu Chunlin	Yitai Group	Chief Executive Officer	18 January 2017
	Yitai Group	Director and Chief Accountant	15 June 2004
Ge Yaoyong	Yitai Group	Director	14 November 2008
	Yitai Group	Deputy Chief Executive Officer	18 January 2017
Zhang Dongsheng	Yitai Group	Director	14 November 2008
	Yitai Group	Deputy Chief Executive Officer	18 January 2017
Zhang Jingquan	Yitai Group	Director	8 September 2015
Li Wenshan	Yitai Group	Chairman of the Supervisory Committee	14 November 2008

(II) Particulars concerning positions held in other entities

Name of incumbent	Name of other entity	Position held in other entity	Starting date of term
Yu Youguang	Inner Mongolia Zhongtian Huazheng	Deputy president	28 June 2013
Qi Yongxing	MBA Institute of Education in Inner Mongolia Finance & Economics College	Deputy dean and associate professor	11 December 2013
Tam Kwok Ming, Banny	YATA Certified Public Accountants	Partner	1 July 2011
Zhang Zhiming	School of Laws of Remin University	Professor, Doctoral supervisor	September 2005
Huang Sujian	Institute of Industrial Economics of Chinese Academy of Social Sciences	Researcher	1 July 1988
Wang Yongliang	Inner Mongolia Ikocho League Law Firm	Director	1 March 2001
Wu Qu	Inner Mongolia Dongshen Accounting Firm Co., Ltd.	Head of Auditing Department	1 July 2001

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

III. PARTICULARS CONCERNING REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedure for the remuneration of the directors, supervisors and senior management	Considered and approved in general meetings
Basis for determination on the remuneration of the directors, supervisors and senior management	<p>“Measures Management of the Remuneration of Senior Management of the Company” 《公司高級管理人員薪酬管理辦法》</p> <p>Specific calculation method: annual remuneration return comprises of basic annual salary and performance-based annual salary. Basic annual salary = Service grade coefficient x Scale coefficient of total assets of the Company x (1 + Growth rate of net assets) x 10000. Performance-based annual salary = Service grade coefficient x Coefficient of return rate of net assets x (1 + Growth rate of profits during the reporting period) x 10000. All basic annual salaries shall be released on monthly basis, while performance-based annual salaries shall initially be released by 50 percent, the remaining of which shall be released at the end of the year after assessment.</p>
Particulars about remuneration payable to directors, supervisors and senior management	Allowances and remuneration for the directors, supervisors and senior management, which is calculated based on the allowance amount of independent directors determined in general meeting, and the remuneration for the directors, supervisors and senior management determined by remuneration management mechanism of the Company, were paid in full by the Company after deducting individual income tax.
Total remuneration actually obtained by the directors, supervisors and senior management as a whole at the end of the reporting period	RMB11.32 million

IV. PARTICULARS ABOUT THE MOVEMENT OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Change	Reason for change
Qi Yongxing	Independent non-executive Director	Resigned	Job change
Huang Sujian	Independent non-executive Director	Elected	
Zhang Guisheng	Chief Engineer	Resigned	Work adjustment
Zhang Mingliang	Chief Engineer	Appointed	
Lv Junjie	Deputy Manager	Appointed	

Note: Mr. Qi Yongxing resigned as independent director of the Company due to job change. Please refer to announcement dated 15 April 2016 and announcement resolutions of the nineteenth meeting of the sixth session of the Board of Directors announced on 15 August 2016 by the Company for details.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

V. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, the interests of the directors, supervisors and chief executives of the Company in the shares of the Company and its associated corporations, which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code or Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code"), to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

Long positions in the shares of associated corporation of the Company

Name of director/ supervisor	Name of associated corporation	Type of interest	Number of ordinary shares interested	Percentage of the associated corporation's issued share capital (%)
Directors:				
Mr. Zhang Donghai	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	10,903,593	1.51
		Interest of spouse	500,000	0.07
		Interest held as a trustee	15,831,123 ¹	2.20
Mr. Liu Chunlin	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	6,000,000	0.83
		Interest held as a trustee	8,986,299 ¹	1.25
Mr. Ge Yaoyong	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	5,000,000	0.69
		Interest of spouse	51,250	0.01
		Interest held as a trustee	7,413,316 ¹	1.03
Mr. Zhang Dongsheng	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	5,000,000	0.69
		Interest of spouse	148,947	0.02
		Interest held as a trustee	7,315,619 ¹	1.02
Mr. Lv Guiliang	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,200,000	0.31
Mr. Song Zhanyou	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,200,000	0.31
Mr. Zhang Jingquan	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,200,000	0.31
Supervisors:				
Mr. Li Wenshan	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	4,000,000	0.56
		Interest held as a trustee	6,014,883 ¹	0.83
Mr. Wang Xiaodong	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	565,365	0.08
Mr. Ji Zhifu	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	250,000	0.03
Mr. Han Zhanchun	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	250,000	0.03

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

V. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Note 1:

Pursuant to a trust agreement entered into by 35 individuals and a group of employees of Yitai Group, the directors and supervisors listed above together with other members of the 35 individuals hold the entire issued share capital of Inner Mongolia Yitai Investment Co., Ltd. on behalf of a group of employees comprised of 2,300 individuals. Our PRC legal advisors are of the opinion that the trust arrangement is valid and binding under the PRC laws.

Save as disclosed above, as at 31 December 2016, none of the directors, supervisors or chief executives of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

VI. EMPLOYEES INFORMATION OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES

(I) Information on employees

Number of in-service employees in the parent company	2,914
Number of in-service employees in major subsidiaries	3,781
Total number of in-service employees	6,695
Number of employees retired for whom the parent company and major subsidiaries have to pay pension	308

Specialty composition Category	Headcount
Production	3,450
Sales	1,726
Technician	439
Finance	193
Administration	887
Total	6,695

Education level Category	Headcount
Postgraduate	357
Undergraduate	2,909
College graduate and secondary technical school	2,402
Below secondary technical school	1,027
Total	6,695



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

VI. EMPLOYEES INFORMATION OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES (CONTINUED)

(II) Remuneration Policy

The Company made great efforts in motivating employees' working enthusiasm and creativity and promoting the internal fairness and external competitiveness of the remuneration incentive system. On the basis of equal pay for equal work, the Company established a dynamic distribution mechanism in terms of taking position value as the core and performance assessment as the support, thus reflecting the employees' work ability and work achievement. At the same time, the Company raised salary to the employees who are talented with great contribution to the Company but not included in the management. During the reporting period, the total staff remuneration of the Company was RMB780 million.

(III) Training program

The Company's human resources and strategic planning department implemented a vertical management of training work of each department of the Company and performed an effective integration of the training projects, training contents, organization methods and etc. The Company gave a proper authorization to its branches and subsidiaries, for an implementation of an planned management and control, in order to realize the goal of management finally. Secondly, as to the Company's training at all levels, the Company combined the internal training and external training, with an intention to give internal training mainly, which would help to reduce training costs and improve the training effect. At the same time, the Company cultivated a large number of internal lecturers, laying a foundation for promoting internal course development in the future.

(IV) Subcontracting information

Total working hours for subcontracting	657,894 Hours
Total remuneration paid for subcontracting	RMB13,716,100

(V) Employee Motivation

The Group has established a comprehensive performance evaluation system to link the annual business objectives with the performance of different departments and staff. The comprehensive performance evaluation system is established across the Company and its departments, branches and individuals to ensure overall coverage of key indicators and level-by-level management and to ensure effective implementation and achievement of goals. Through multiple measures and approaches, the Company's business and individual motivation are connected, thereby stimulating the creative capability of the organization and the individuals. With the notion of pursuing shareholder value and corporate social responsibility, we hope to contribute to the sustainable development of the Company.

(VI) Pension Scheme

The Company has established a pension system to provide the qualified and voluntary employees with the supplementary pension plan with certain guarantee on retirement income. The Company and the employees participating in the plan shall make relevant payment by a certain proportion. A third party trustee is entrusted to act as account manager, custodian and investment manager to carry out fund management and investment activities. In accordance with the provisions of the pension system, such payment shall be payable at the time of employee retirement.



CORPORATE GOVERNANCE

I. RELEVANT INFORMATION OF CORPORATE GOVERNANCE AND MANAGEMENT OF INSIDER REGISTRATION

During the reporting period, the Company has gradually improved its corporate governance system and standardized its operation pursuant to the Company Law (《公司法》), Securities Law (《證券法》) and relevant laws and regulations. The general meeting, the Board and senior management of the Company carried out well performance and interaction among duties.

The Company continued to strengthen information disclosure and relationship with investors. During the reporting period, the Company disclosed all material information promptly, accurately, truly and completely to ensure that all shareholders could enjoy the right to be informed fairly. The Company communicates with investors in various forms, effectively enhancing communications and interactions with investors and promoting the reputation and influence of the Company in the capital market.

The Company strictly executed the management system of insider registration. During the sensitive period of information disclosure, the Company required specialists to provide sufficient reminders to relevant personnel through certain ways, including writing, messages, mails and internal OA system in the Company, preventing relevant personnel from breaking the regulations to deal in the shares of the Company.

The Company will continue to strictly comply with the Company Law and relevant stipulations and requirements of CSRC and other institutions with authority in respect of corporate governance, and improve its corporate governance system to gradually enhance the capability of corporate governance.

There is no inconformity between the corporate governance of the Company and the Company Law and requirements of CSRC.

CORPORATE GOVERNANCE (Continued)

II. PARTICULARS OF GENERAL MEETINGS HELD DURING THE REPORTING PERIOD

Session of the meeting	Convening date	Title(s) of the proposal(s) of the meeting	Status of resolution	Enquiry index of the designed website for the publication of the proposals	Dates of disclosure of the publication of the proposals
Annual general meeting for 2015 (the "2015 AGM") (Note 1)	28 June 2016	1. To consider and approve the report of the Board for the year 2015;	All passed	http://www.hkexnews.hk http://www.sse.com.cn	28 June 2016 29 June 2016
		2. To consider and approve the report of the supervisory committee for the year 2015;			
		3. To consider and approve the report of the independent non-executive directors for the year 2015;			
		4. To consider and approve the profit distribution plan for the year 2015;			
		5. To consider and approve the financial report for the year 2015;			
		6. To consider and approve the confirmation of the actual amount of connected party transactions in the ordinary course of business in 2015 and the supplementary estimates for the annual caps of connected party transactions in the ordinary course of business for 2016-2017;			
		7. To consider and approve the renewal of existing continuing connected transactions and annual caps under existing continuing connected transactions;			
		8. To consider and approve the capital expenditure for the year 2016;			
		9. To consider and approve the appointment of audit institution of the Company for 2016;			
		10. To consider and approve the appointment of internal control audit institution of the Company for 2016;			
		11. To consider and approve the guarantee to be provided by the Company to subsidiaries;			
		12. To consider and approve the provision of guarantee by the Company to Tailai Coal;			
		13. To consider and approve the general mandate to the Board of the Company for the issuance of H shares;			
		14. To consider and approve the proposed issue of corporate bonds;			
14.01 Issue size of the Corporate Bonds;					
14.02 Issue methods and issue targets;					
14.03 Arrangement on placement to shareholders of the Company;					
14.04 Par value and issue price;					
14.05 Maturity;					
14.06 Use of proceeds;					
14.07 Place of listing;					
14.08 Term of guarantee;					
14.09 Validity of the resolution;					
14.10 Measures for guaranteeing the repayment;					
14.11 Authorization of the Board or its authorized persons for the issue.					

CORPORATE GOVERNANCE (Continued)

II. PARTICULARS OF GENERAL MEETINGS HELD DURING THE REPORTING PERIOD (CONTINUED)

Session of the meeting	Convening date	Title(s) of the proposal(s) of the meeting	Status of resolution	Enquiry index of the designed website for the publication of the proposals	Dates of disclosure of the publication of the proposals
The first extraordinary general meeting in 2016 (the "first EGM in 2016") (Note 2)	29 November 2016	1. To consider and approve the proposed appointment of independent non-executive Director and member of the Board committees;	All passed	http://www.hkexnews.hk http://www.sse.com.cn	29 November 2016 30 November 2016
		2. To consider and approve the proposed amendments to Rules of Procedure of the General Meeting of Shareholders;			
		3. To consider and approve the proposed amendments to Rules of Procedure of the Board of Directors;			
		4. To consider and approve the proposed amendments to Rules of Procedure of the Supervisory Committee;			
		5. To consider and approve the proposed amendments to Policy on the Management of the External Guarantee;			
		6. To consider and approve the proposed amendments to the Articles of Association.			

Notes:

- For details of the resolutions passed in the meeting, please refer to the circular and the supplementary circular of the Company dated 13 May 2016 and 14 June 2016 respectively.
- For details of the resolutions passed in the meeting, please refer to the circular of the Company dated 30 September 2016.

CORPORATE GOVERNANCE (Continued)

III. DIRECTORS' PERFORMANCE OF THEIR DUTIES

(I) Particulars of Directors' Attendance in Board Meetings and General Meetings during the reporting period

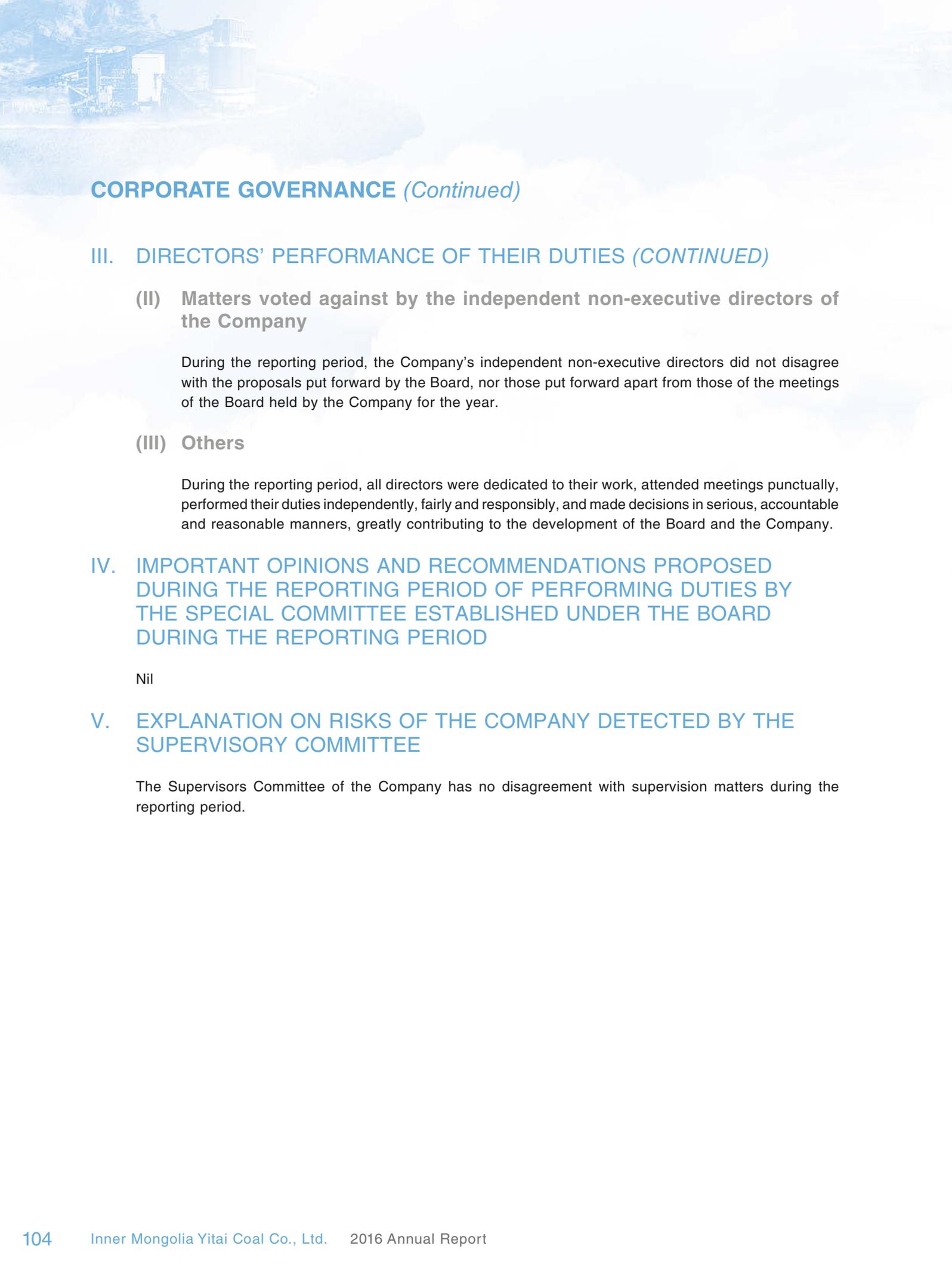
Name of directors	Whether or not an independent non-executive director	Mandatory times of attendance in Board meetings during the year	Attendance of Board meeting(s)				Whether or not he or she has been absent in person for two consecutive times	Attendance rate of Board meetings (%)	Attendance in general meeting(s)	
			Times of attendance in person	Times of attendance by telecommunication	Times of attendance by proxy	Times of absence			Times/Number of attendance in general meetings	Attendance rate of general meetings (%)
Zhang Donghai	No	8	8	6	0	0	No	100	2/2	100
Liu Chunlin	No	8	8	6	0	0	No	100	2/2	100
Ge Yaoyong	No	8	8	6	0	0	No	100	1/2	50
Zhang Dongsheng	No	8	8	6	0	0	No	100	2/2	100
Zhang Jingquan	No	8	8	6	0	0	No	100	2/2	100
Lv Guiliang	No	8	8	6	0	0	No	100	2/2	100
Song Zhanyou	No	8	8	6	0	0	No	100	2/2	100
Yu Youguang	Yes	8	8	6	0	0	No	100	2/2	100
Zhang Zhiming	Yes	8	8	6	0	0	No	100	2/2	100
Tam Kwok Ming, Banny	Yes	8	8	6	0	0	No	100	2/2	100
Huang Sujian (Note A)	Yes	1	1	1	0	0	No	100	1/1	100
Qi Yongxing (Note B)	Yes	7	7	5	0	0	No	100	1/2	50

Note A: Huang Sujian was appointed as an independent non-executive director of the Company on 29 November 2016.

Note B: Qi Yongxing resigned as an independent non-executive director of the Company on 29 November 2016.

During the reporting period, none of the directors of the Company was absent for two consecutive times in person at Board meetings.

Number of Board meetings convened during the year	8
Of which: number of meetings on-site	2
Number of meetings held by teleconference	6
Number of meetings held both on-site and via teleconferencing	0



CORPORATE GOVERNANCE *(Continued)*

III. DIRECTORS' PERFORMANCE OF THEIR DUTIES *(CONTINUED)*

(II) Matters voted against by the independent non-executive directors of the Company

During the reporting period, the Company's independent non-executive directors did not disagree with the proposals put forward by the Board, nor those put forward apart from those of the meetings of the Board held by the Company for the year.

(III) Others

During the reporting period, all directors were dedicated to their work, attended meetings punctually, performed their duties independently, fairly and responsibly, and made decisions in serious, accountable and reasonable manners, greatly contributing to the development of the Board and the Company.

IV. IMPORTANT OPINIONS AND RECOMMENDATIONS PROPOSED DURING THE REPORTING PERIOD OF PERFORMING DUTIES BY THE SPECIAL COMMITTEE ESTABLISHED UNDER THE BOARD DURING THE REPORTING PERIOD

Nil

V. EXPLANATION ON RISKS OF THE COMPANY DETECTED BY THE SUPERVISORY COMMITTEE

The Supervisors Committee of the Company has no disagreement with supervision matters during the reporting period.



CORPORATE GOVERNANCE (Continued)

VI. EXPLANATION BY THE COMPANY ON UNCERTAINTIES OF INDEPENDENCE AND SELF-OPERATION CAPABILITY OF THE CONTROLLING SHAREHOLDERS WITH RESPECT TO BUSINESS, PERSONNEL, ASSETS, ORGANIZATION AND FINANCE

The Company is completely independent of the Company's controlling shareholders (the "**Controlling Shareholder(s)**") with respect to business, personnel, assets, organization and finance, and is able to make decisions independently and operate autonomously. For the perspective of business, the Company owns independent and complete production, transportation and sales system, and is capable to operate autonomously, independently develop various businesses, and independently assume responsibility and risks. For personnel, the Company has established an independent human resources department, built a sound system for personnel management, developed an independent system for personnel employment, arrangement, assessment and appointment, independently decided to hire and dismiss the personnel in the Company, and it does not exist any intervention of appointment of personnel by the Controlling Shareholder in the Company. For assets, there is a transparent relationship between the Company and the Controlling Shareholder, and the Company owns integrated production equipment and places for operation, ensuring the completeness of assets during the production process. For institution, with sound and complete organizational and institutional system, the Company's holding subsidiaries and functional departments operate independently, and are not dependent on the Controlling Shareholder. In financial aspect, the Company has an independent financial accounting department to establish an independent accounting and auditing system and financial management system. Also, the Company has established independent financial accounts, so there does not exist sharing of bank accounts with the Controlling Shareholder.

VII. PARTICULARS OF THE ASSESSMENT MECHANISM FOR SENIOR MANAGEMENT AND OF THE ESTABLISHMENT AND IMPLEMENTATION OF INCENTIVE MECHANISM DURING THE REPORTING PERIOD

Incentive mechanism of the Company has been implemented according to the Measures Regarding the Annual Remuneration for the Directors and Senior Management of the Company (《公司關於董事及高級管理人員年薪報酬的方案》). During the reporting period, as the pressure of downturn of industrial market has been increasingly significant, the Company seized the opportunities and set up a system in the enterprise in which the management personnel was competitive and capable to take up different tasks, where employees were talented and proactive, and operating results with flexible revenue were prioritized. Position management was regarded as the core and competitive position was regarded as the basis and thus, a human resources management system backed by sound remuneration system, result assessment system and profession development system was formed.



CORPORATE GOVERNANCE *(Continued)*

VIII. CORPORATE GOVERNANCE PRACTICES

Corporate Governance Practices

The board of directors (the “**Board**”) of the Company has committed to maintaining high corporate governance standards.

The Company’s corporate governance practices are based on the principles and code provisions (the “**Code Provision(s)**”) as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles set out in the CG Code contained in Appendix 14 to the Listing Rules.

The Board is of the view that throughout the year ended 31 December 2016, the Company has complied with all the Code Provisions as set out in the CG Code.

Directors’ and Supervisors’ Securities Transactions

The Company has adopted the Model Code.

Specific enquiry has been made of all the directors and supervisors and all directors and supervisors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2016.

The Company has also adopted the Model Code as the guidelines (the “**Guidelines**”) for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Guidelines by the employees was noted by the Company.



CORPORATE GOVERNANCE *(Continued)*

VIII. CORPORATE GOVERNANCE PRACTICES *(CONTINUED)*

Board of Directors

During the year ended 31 December 2016 and up to the date of this report, the Board of the Company comprises the following directors:

Executive Directors:

Zhang Donghai (*Chairman*)
Liu Chunlin
Ge Yaoyong
Zhang Dongsheng
Zhang Jingquan
Lv Guiliang
Song Zhanyou

Independent Non-executive Directors:

Yu Youguang
Zhang Zhiming
Tam Kwok Ming, Banny
Haung Sujian (*Appointed as director on 29 November 2016*)
Qi Yongxing (*Resigned as director on 29 November 2016*)

The biographical information of the directors are set out in the section headed “Directors, Supervisors, Senior Management and Employees” on pages 83 to 94 of this report.

Save as disclosed in the section headed “Directors, Supervisors, Senior Management and Employees” in this report, none of the members of the Board is related to one another, including financial, business, family or other material/relevant relationships, except that Zhang Dongsheng, the executive director, is the nephew of the father of Zhang Donghai, the Chairman.

Chairman and General Manager

The positions of Chairman and General Manager are held by Zhang Donghai and Zhang Jingquan respectively. The Chairman is responsible for the effective functioning and leadership of the Board. The General Manager focuses on the Company’s business development and daily management and operations generally.



CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Independent Non-executive Directors

During the year ended 31 December 2016, the Board at all times exceeded the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the Independent Non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all Independent Non-executive Directors are independent.

Non-executive Directors and Directors' Re-election

Code Provision A.4.1 of the CG Code stipulates that Non-executive Directors shall be appointed for a specific term, subject to re-election, whereas Code Provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the directors of the Company, including Independent Non-executive Directors, is appointed for a specific term of 3 years and is subject to retirement by rotation once every three years.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All directors, including Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All directors have full and timely access to all the information of the Company as well as the services and advice from the joint company secretaries of the Company (the "Joint Company Secretary(ies)") and senior management. The directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for directors will be arranged and reading material on relevant topics will be issued to directors where appropriate. All directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2016, the following directors have participated in continuous professional development by attending seminars, in-house briefing or reading materials on the following topics to develop and refresh their knowledge and skills:

Directors	Event/Topic ^{note}
Executive Directors	
Zhang Donghai	1, 2, 4
Liu Chunlin	1, 2, 4
Ge Yaoyong	1, 2, 4
Zhang Dongsheng	1, 2, 4
Zhang Jingquan	1, 2, 4, 5
Lv Guiliang	1, 2, 3, 4
Song Zhanyou	1, 2, 4
Independent non-executive Directors	
Yu Youguang	1, 2, 4
Zhang Zhiming	1, 2, 4
Tam Kwok Ming, Banny	1, 2, 4
Huang Sujian	2, 4

Notes:

1. Training for directors, supervisors and senior management of listed companies in 2016 organized by CSRC, Inner Mongolia Branch (內蒙古證監局)
2. Strategic Analysis on Capital Operation organized by Shanghai Xiao Duo Finance Co., Ltd.* (上海小多金融服務有限責任公司)
3. Ongoing Training on Financial Controller (財務總監後續培訓) organized by Shanghai Stock Exchange
4. A Guide on Directors' Duties issued by the Companies Registry in Hong Kong
5. Training Workshop for Chairman and CEOs of Listed Companies organized by China Association for Public Companies (中國上市公司協會)

In addition, relevant reading materials including legal and regulatory update have been provided to the directors for their reference and studying.



CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Board Committees

The Board has established five committees, namely, the Strategy Committee, Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Production Committee, for overseeing particular aspects of the Company's affairs. At the 19th meeting of the Board held on 15 August 2016, resolutions have been passed to amend the terms of reference of the Strategy Committee, Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Production Committee. The updated terms of reference of all the above Board committees are posted on the Company's website and the Hong Kong Stock Exchange's website and are available to shareholders upon request.

Strategy Committee

The Strategy Committee currently comprises a total of 11 members, being 7 Executive Directors, namely Zhang Donghai (Chairman), Liu Chunlin, Ge Yaoyong, Zhang Dongsheng, Zhang Jingquan, Lv Guiliang and Song Zhanyou, and 4 Independent non-executive Directors, namely Yu Youguang, Zhang Zhiming, Tam Kwok Ming, Banny and Huang Sujian (appointed on 29 November 2016).

The primary duties of the Strategy Committee are to formulate the Company's overall development plans and investment decision-making procedures.

The responsibilities of the Strategy Committee include, among others:

- Reviewing the long-term development strategies
- Reviewing major issues affecting the Company's development
- Reviewing significant capital expenditure, investment and financing projects that require approval of the Board

The Strategy Committee held 4 meetings during the year to review and make recommendation to the Board on 2016 Capital Expenditure of the Company, formation of wholly-owned subsidiary as well as acquisition and disposal of shareholdings of the Group Companies.



CORPORATE GOVERNANCE *(Continued)*

VIII. CORPORATE GOVERNANCE PRACTICES *(CONTINUED)*

Audit Committee

The Audit Committee currently comprises a total of 4 members, all being Independent non-executive Directors, namely Yu Youguang (Chairman), Zhang Zhiming, Tam Kwok Ming, Banny and Huang Sujian (appointed on 29 November 2016).

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, the internal audit function, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held 7 meetings to review the Group's annual financial results and reports, interim results, quarterly results and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, internal audit function, scope of work and appointment of external auditors, related party transactions and the proposal in relation to entrusted wealth management by use of the idle capital of the Company.

The Audit Committee also met the external auditors twice without the presence of the Executive Directors.

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee currently comprises a total of 7 members, being 3 Executive Directors, namely Zhang Donghai, Liu Chunlin and Zhang Jingquan, and 4 Independent non-executive Directors, namely Yu Youguang, Huang Sujian (Chairman) (appointed on 29 November 2016), Zhang Zhiming and Tam Kwok Ming, Banny.

The primary functions of the Remuneration and Appraisal Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, the remuneration policy and structure for all directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration and Appraisal Committee held one meeting during the year to review and make recommendation to the Board on the remuneration policy and structure of the Company, and review the performance of the duties of the directors and senior management of the Company and the annual performance evaluation conducted on them.



CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Nomination Committee

The Nomination Committee currently comprises a total of 7 members, being 3 Executive Directors, namely Zhang Donghai, Liu Chunlin and Zhang Jingquan, and 4 Independent non-executive Directors, namely Yu Youguang, Huang Sujian (appointed on 29 November 2016), Zhang Zhiming (Chairman) and Tam Kwok Ming, Banny.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, conducting appraisal on candidates for the secretary of the Board nominated by the chairman and candidates for deputy manager and chief financial officer nominated by the manager, and provide appraisal opinions to the Board, conducting inspection of the candidates of directors, president and the secretary of the Board, formulating the Board diversity policy and assessing the independence of Independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and national and industrial experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. For summary of the Board diversity policy, please refer to the content in page 51 of Section V – Other Disclosures under “Reports of Directors” of this report.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate’s character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee has adopted a set of nomination procedures for selection of candidates for directorship of the Company by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company’s needs and other relevant statutory requirements and regulations. External recruitment professionals might be engaged to carry out selection process when necessary.

The Nomination Committee held 3 meetings during the year to review the structure, size and composition of the Board and the independence of the Independent non-executive Directors, to consider and recommend to the Board on the proposed appointment of Huang Sujian as Independent non-executive Director, Lv Junjie as deputy manager and Zhang Mingliang as Chief Engineer to replace Zhang Guisheng, who resigned as Chief Engineer on 27 October 2016.

The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.



CORPORATE GOVERNANCE *(Continued)*

VIII. CORPORATE GOVERNANCE PRACTICES *(CONTINUED)*

Production Committee

The Production Committee currently comprises a total of 5 members, being 3 Executive Directors, namely Zhang Donghai (Chairman), Ge Yaoyong and Zhang Jingquan, and 2 Independent non-executive Directors, namely Yu Youguang and Huang Sujian (appointed on 29 November 2016).

The primary duties of the Production Committee are to supervise and control the production volumes of our coal mines.

The responsibilities of the Production Committee include, among others:

- Determining the annual planned production volumes of the relevant coal mines for the following year with reference to the assessed capacities and market conditions
- Reviewing the Company's actual production volumes
- Considering whether the Company needs to revise the annual planned production volumes of the relevant coal mines or to apply to increase the assessed capacities

The Production Committee held one meeting during the year to review 2016 Annual Production Plan of the Company.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the Code Provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, the Guideline and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Attendance Record of Directors and Committee Members

The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2016 is set out in the table below:

Name of Director	Attendance/Number of meetings							Other general meetings (if any)
	Board	Nomination committee	Remuneration and Appraisal committee	Audit committee	Production committee	Strategy Committee	Annual general meeting	
Zhang Donghai	8/8	2/3	1/1	N/A	1/1	4/4	1/1	1/1
Liu Chunlin	8/8	2/3	1/1	N/A	N/A	4/4	1/1	1/1
Ge Yaoyong	8/8	N/A	N/A	N/A	1/1	4/4	0/1	1/1
Zhang Dongsheng	8/8	N/A	N/A	N/A	N/A	4/4	1/1	1/1
Zhang Jingquan	8/8	2/3	1/1	N/A	1/1	4/4	1/1	1/1
Lv Guiliang	8/8	N/A	N/A	N/A	N/A	4/4	1/1	1/1
Song Zhanyou	8/8	N/A	N/A	N/A	N/A	4/4	1/1	1/1
Yu Youguang	8/8	3/3	1/1	7/7	1/1	4/4	1/1	1/1
Zhang Zhiming	8/8	3/3	1/1	7/7	N/A	4/4	1/1	1/1
Tam Kwok Ming, Banny	8/8	3/3	1/1	7/7	N/A	4/4	1/1	1/1
Huang Sujian ^(Note A)	1/1	0/0	0/0	1/1	0/0	1/1	0/0	1/1
Qi Yongxing ^(Note B)	7/7	3/3	1/1	6/6	1/1	3/3	0/1	1/1

Note A: Huang Sujian was appointed as an Independent non-executive Director of the Company on 29 November 2016.

Note B: Qi Yongxing resigned as an Independent non-executive Director of the Company on 29 November 2016.

Apart from regular Board meetings, the Chairman also held meetings with the Independent non-executive Directors without the presence of Executive Directors during the year.

CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Directors' Responsibility in Respect of the Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2016.

The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Where appropriate, a statement will be submitted by the Audit Committee explaining its recommendation regarding the selection, appointment, resignation or dismissal of external auditors and the reasons why the Board has taken a different view from that of the Audit Committee.

Senior management's remunerations

The Senior Management's remunerations are determined by the Board with reference to their duties, responsibilities and performance and the results of the Group. Remunerations paid to a total of 5 Senior Management (excluding Directors and Supervisors) by bands for the year ended 31 December 2016 is set out below:

Remuneration bands	Number of individuals
RMB0.5 million and below	1
Over RMB0.5 million to RMB1 million	4

Auditors' Remuneration

An analysis of the remuneration paid to the external auditors of the Company, Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 31 December 2016 is set out below:

Service category	Fees paid/payable
Audit Services	RMB3.5 million
Non-audit Services	0

CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Risk Management and Internal Controls

During the year under review, the Board conducted one review of the effectiveness of the risk management and internal control systems of the Group, covering all material aspects of internal control, including internal control, operational control and compliance control for the year ended 31 December 2016. The Board also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Board is responsible for the risk management and internal control systems, and reviewed the effectiveness on such systems. Details as follows:

1. The Company established a sound internal control system, (i) Audit Committee was set up under the Board to be responsible for the communication, inspection and supervision on external audit, reviewing and monitoring the financial control, internal control and risk management systems; and to ensure the establishment of an effective internal control system by which the management fulfils their duty; and to study the substantive investigation results for internal control and responses to such results from the management, on a voluntary basis or based on the appointment of the Board; (ii) the in-house audit department of the Company is in charge of the organization and implementation of internal control and assessment, and to assess on the high-risk areas and entities which are included in the assessment scope; (iii) the internal control and assessment group is in charge of the organisation and assessment of the detailed internal control and is accountable to the Board.
2. In order to further reinforce and standardise on the internal control of the Company, ensure the activities of the Company to be conducted in a standardised and orderly manner, enhance the operation, management and risk prevention capability of the Company and to promote its sustainable development, implement Basic Rules for Internal Control of Companies (《企業內部控制基本規範》) and the relevant requirements of the related guidelines. The Company formulated the Internal Control System of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司內部控制制度》), thereby rectified the core internal control procedures in its management and operation, and prepared the Internal Control Manual of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司內部控制手冊》), thereby established a systematic assurance on the implementation, supervision and assessment of the internal control of the Company.
3. The internal control and assessment group will conduct assessment on the reasonableness and operating efficiency of the design of the internal control of the departments and subsidiaries which are included in the assessment scope in accordance with the 2016 Internal Control and Assessment Plan of Inner Mongolia Yitai Coal Co., Ltd. (《內蒙古伊泰煤炭股份有限公司2016年內部控制評價方案》). Please refer to Appendix II 2016 Internal Control Self-Assessment Report of Inner Mongolia Yitai Coal Co., Ltd (《內蒙古伊泰煤炭股份有限公司2016年內部控制自我評價報告》) for the details of internal control.



CORPORATE GOVERNANCE *(Continued)*

VIII. CORPORATE GOVERNANCE PRACTICES *(CONTINUED)*

Risk Management and Internal Controls *(Continued)*

4. The Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the Guidelines on Disclosure of Inside Information published by the Securities and Future Commission in June 2012, and established special agency and appointed special personnel being responsible for registration and management of insiders, also set up internal management files for insiders management which subject to regular updating. Meanwhile, regular trainings have been conducted by the Group engaged by the insiders and management staff to enhance awareness of consciously observing relevant laws of insiders.

The Group has established the Insider Management System in respect of senior management and employee who are familiar with insider information and other information unpublished by the Group in accordance with the Guidelines on Disclosure of Inside Information, which provides that confidential and inside information shall not be used without authorization, and only executive directors and the Board secretary are authorized to communicate with external persons for inquiry and responding procedure of the Group's affairs.

There were no major breaches in the risk management and internal control systems that may have had an impact to the shareholders' interests, and the risk management and internal control systems were deemed to be effective and adequate.

In 2016, centering on five internal control elements of financial monitoring, risk assessment, compliance monitoring and communication and regulation, the Group implemented comprehensive inspection of the effectiveness of the Company's internal control system in 2016, including mechanisms for communication with and feedback from auditors on statutory audit work. Through the assessment of the Group's internal control system by the Audit Committee and the internal control department, the Board held that within the reporting period, the Group had a complete internal control system covering corporate governance, operation, investment, finance, administration and human resources, and the internal control system could play its effective role.

Rather than eliminating the risk of failing to achieve the business goal, the risk management and internal control system of the Group aims to manage such risk and can only provide reasonable but not absolute guarantee that there are no material misrepresentations or losses.

Joint Company Secretaries

Ms. Wong Wai Ling of SW Corporate Services Group Limited has been engaged by the Company as the Joint Company Secretary. Her primary contact person at the Company is Ms. Zhao Xin, another Joint Company Secretary. Both of them have complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.



CORPORATE GOVERNANCE (Continued)

VIII. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Shareholders' Rights

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Hong Kong Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting by Shareholders

Extraordinary general meetings may be convened by the Board or by the Supervisory Committee if the Board does not do so, on requisition of shareholders, individually or jointly, holding 10% or more of the Company's issued and outstanding voting shares (the "**Requisitionist(s)**"). The objects of the meeting must be stated in the requisition which must be signed by the Requisitionist(s).

Putting Forward Proposals at General Meetings

Shareholders severally or jointly holding 3% or more of the total number of shares carrying voting rights shall have the right to propose motions to the Company and the Company shall include the matters falling within the scope of functions and powers of the shareholders' general meeting into the agenda of such meeting. Such shareholders can make and deliver the temporary proposals to the convener in writing 10 days or more prior to the shareholders' general meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.



CORPORATE GOVERNANCE *(Continued)*

VIII. CORPORATE GOVERNANCE PRACTICES *(CONTINUED)*

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Yitai Building, North Tianjiao Road, Dongsheng District, Ordos, Inner Mongolia
(For the attention of the Board secretary)
Fax: (86 477) 8565415
Email: ir@yitaicoal.com

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Shareholders may call the Company at (86) 477-8565731 for any assistance.

Communication With Shareholders and Investors

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

Save as the above mentioned, the Company organised large reversal roadshow and invited shareholders, investors and analysts to the Company for in-depth and effective communication with the management and visit to different sections of the Company for their further understanding thereto.

In addition, shareholders and investors are regularly received by the Company. The management of the Company will also communicate and exchange with investors and analysts outside office.

Through the above means, the Company delivers transparent operation and effective communication with shareholders and investors.

During the year under review, the Company has amended its Articles of Association which have been approved by the shareholders of the Company at the first EGM in 2016. Details of the amendments are set in the circular dated 30 September 2016 to the shareholders. An up to date version of the Company's Articles of Association is also available on the Company's website and the Hong Kong Stock Exchange's website.

RELEVANT INFORMATION ON CORPORATE BOND

I. OVERVIEW OF CORPORATE BONDS

Unit: yuan Currency: RMB

Bonds Name	Abbreviation	Bond code	Issuing date	Date of expiry	Balance of bonds	Interest rate	Method of capital repayment with interest	Place of transaction
Bonds of Inner Mongolia Yitai Coal Co., Ltd. of 2014 (first tranche)	14 Yitai 01	122329	9 October 2014	9 October 2019	4,500,000,000	6.99%	Bonds of the tranche adopt single interest on annual basis with no compound interest counted. Interest will be paid once a year and the capital will be returned in a lump sum at the date of expiry. Interest of the last period will be paid together with the capital. Amount of interest arising from the bonds to be paid at the payment date to the investors is the product of the total face amount of the bonds of this tranche held by the investors till close-up of the interest registration date, and the corresponding annual nominal interest rate. Amount of capital and interest paid to the investors on the payment date includes the interest of the last period arising from the bonds, and the capital in the total face amount held by the investors till close-up of the interest registration date.	Shanghai Stock Exchange

Interest payment in respect of bonds

The Company has fully paid the interest on “14 Yitai 01” for 2016.

II. CONTACT PERSONS AND METHODS OF BONDS TRUSTEE MANAGER, CONTACT METHODS OF CREDIT RATING AGENCY

Bonds trustee manager	Name	China International Capital Corporation Limited
	Address	Floor 27-28, Tower 2, World Trade Building, No.1, Jianguomen Outer Street, Chaoyang District, Beijing
	Contact persons Tel	Zhai Ying, Du Yi, Xu Xian 01065051166
Credit rating agency	Name	Dagong Global Credit Rating Co., Ltd.
	Address	Floor A29, Pengrun Mansion, No.26, Xiaoyun Road, Chaoyang District, Beijing



RELEVANT INFORMATION ON CORPORATE BOND (Continued)

III. USE OF PROCEEDS RAISED FROM PUBLIC ISSUANCE OF THE COMPANY BONDS

The proceeds raised from public issuance of the Company bonds of this tranche were used for disclosing the bonds of this tranche. As at 31 December 2016, proceeds were utilized in full.

IV. BRIEF INTRODUCTION TO CORPORATE BONDS CREDIT RATING AGENCY

During the reporting period, Dagong Global Credit Rating Co., Ltd. conducted a follow-up credit rating on bonds 14 Yitai 01 of the Company, and the bonds credit rating and long-term credit rating of the Company respectively maintained at AA+. The rating outlook is steady.

In line with the schedule of follow-up rating, Dagong Global Credit Rating Co., Ltd. will carry out a periodical follow-up rating on the bonds of this tranche within 2 months after release of the announcement of annual report by the bonds issuer and during the period of existence of the bonds of this tranche, and further conduct unscheduled follow-up rating according to the relevant situations within the period of existence of the bonds of this tranche. Should the Company release the annual report on 24 March 2017, Dagong Global Credit Rating Co., Ltd. shall provide the follow-up rating report prior to 24 May and the rating result will be disclosed on the website of Shanghai Stock Exchange where the bonds of this tranche are transacted.

V. CORPORATE BONDS CREDIT ENHANCEMENT MECHANISM, SOLVENCY PLAN AND OTHERS DURING THE REPORTING PERIOD

During the reporting period, corporate bonds aforementioned were not implemented with credit enhancement mechanism and there had been no change in the solvency plan. The Company strictly complied with the schedule of capital repayment with interest as set out in the prospectus and paid interest arising from the bonds and returned capital of the bonds to the investors.

VI. DUTY FULFILLMENT OF CORPORATE BONDS TRUSTEE MANAGER

Within the period of existence of the bonds of this tranche aforementioned, China International Capital Corporation Limited, the bonds trustee manager conscientiously complied with the agreement to the Bonds Trustee Management Agreement (《債券受托管理協議》) and conducted a continuous follow-up to the Company's rating, management and use of proceeds raised from the bonds, and condition of capital repayment with interest of the Company. China International Capital Corporation Limited. also supervised the Company to perform the obligations set out in the prospectus and vigorously fulfilled its duty as a bonds trustee manager, and further protected legal rights of the bondholders. Report of Trustee Management Affairs (受托管理事務報告) is scheduled to be disclosed by the trustee manager within 3 months after disclosure of the Company's annual report. See the details on the website of Shanghai Stock Exchange (<http://www.sse.com.cn>).

RELEVANT INFORMATION ON CORPORATE BOND (Continued)

VII. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY IN THE LATEST TWO YEARS AS AT THE END OF THE REPORTING PERIOD

Unit: yuan Currency: RMB

Major indicator	2016	2015	Increase or decrease as compared with the same period of last year (%)	Reasons of change
EBITDA	5,568,068,719.08	2,576,708,597.75	116.09%	Mainly due to the increase in the profit in the period;
Liquidity ratio	1.01	1.16	-0.15	
Quick ratio	0.85	1.06	-0.21	
Gearing ratio	59.73%	60.73%	-1.00	
EBITDA ratio	0.16	0.06	0.10	Mainly due to the increase in the profit in the period;
Times interest earned	1.78	0.60	1.17	Mainly due to the increase in the profit in the period;
Cash interest coverage ratio	4.06	2.16	1.91	Mainly due to the increase in the net cash flow from operating activities;
EBITDA times interest earned	2.83	1.33	1.49	Mainly due to the increase in the profit in the period;
Loan repayment rate	100%	100%		
Interest payment rate	100%	100%		

RELEVANT INFORMATION ON CORPORATE BOND (Continued)

VIII. INTEREST PAYMENT OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

Unit: RMB0'000

Name of medium-term notes	Issuing amount	Starting date	Date of expiry	Nominal interest rate
12 Yitai MTN1	100,000	2012-12-25	2017-12-25	5.5300%
13 Yitai MTN1	250,000	2013-4-16	2018-4-16	4.9500%

During the reporting period, the Company paid interests of other bonds and debt financing instruments on time and in a full amount.

IX. BANK CREDIT BUSINESS WITHIN THE REPORTING PERIOD

During the reporting period, the lines of credit of the Company totalled RMB54,889.75 million and the credit limit was RMB26,457.13 million. The credit available was RMB28,432.62 million.

X. FULFILLMENT OF COMMITMENT IN THE COMPANY'S PROSPECTUS DURING THE REPORTING PERIOD

The Company strictly complied with and fulfilled the relevant commitments in the prospectus within the reporting period.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
REVENUE	22,317,130	19,116,172
Cost of sales	<u>(16,682,378)</u>	<u>(15,442,988)</u>
Gross profit	5,634,752	3,673,184
Other income	408,775	308,767
Other gains and losses	(443,545)	(108,819)
Selling and distribution expenses	(820,284)	(1,017,994)
General and administrative expenses	(1,024,559)	(1,572,629)
Other expenses	(253,326)	(205,324)
Finance income	68,035	80,120
Finance costs	(933,929)	(867,812)
Exchange losses, net	(5,236)	(21,676)
Share of (losses)/profits of associates	(64,564)	24,934
Share of (losses)/profits of joint ventures	<u>(1,248)</u>	<u>1,572</u>
PROFIT BEFORE TAX	2,564,871	294,323
Income tax expense	<u>(439,510)</u>	<u>(41,597)</u>
PROFIT FOR THE YEAR	<u><u>2,125,361</u></u>	<u><u>252,726</u></u>

	2016	2015
	RMB'000	RMB'000
OTHER COMPREHENSIVE INCOME		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Fair value losses on available-for-sale investments	(4,258)	(48,720)
Income tax effect	1,064	12,180
Exchange differences on translation of foreign operations	1,396	1,181
<i>Reclassification adjustments to profit or loss:</i>		
Disposal of available-for-sale investments	–	(79,521)
Income tax effect	–	19,880
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX	<u>(1,798)</u>	<u>(95,000)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>2,123,563</u>	<u>157,726</u>
Profit for the year attributable to:		
Owners of the Company	1,985,762	90,501
Non-controlling interests	139,599	162,225
	<u>2,125,361</u>	<u>252,726</u>
Total comprehensive income attributable to:		
Owners of the Company	1,983,964	(4,499)
Non-controlling interests	139,599	162,225
	<u>2,123,563</u>	<u>157,726</u>
Earnings per share – basic (RMB)	<u>0.61</u>	<u>0.03</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	31 December 2016 <i>RMB'000</i>	31 December 2015 <i>RMB'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	45,971,465	43,855,452
Investment properties	440,479	461,847
Prepaid land lease payments	1,310,534	856,620
Mining rights	338,877	369,057
Other intangible assets	29,798	56,657
Investment in joint ventures	80,041	81,289
Investments in associates	892,851	794,529
Available-for-sale investments	8,868,153	6,567,704
Deferred tax assets	1,009,510	1,286,812
Other non-current assets	<u>337,868</u>	<u>50,956</u>
Total non-current assets	<u>59,279,576</u>	<u>54,380,923</u>
 CURRENT ASSETS		
Inventories	1,803,803	1,085,494
Prepayments of corporate income tax	71,952	124,927
Trade and bills receivables	2,332,291	3,815,259
Prepayments, deposits and other financial assets	2,408,390	2,014,040
Restricted cash	612,832	142,264
Cash and cash equivalents	<u>4,432,760</u>	<u>6,605,859</u>
Total current assets	<u>11,662,028</u>	<u>13,787,843</u>
 CURRENT LIABILITIES		
Trade and bills payables	2,697,582	1,516,156
Financial liabilities at fair value through profit or loss	80	66
Other payables and accruals	5,711,680	5,113,982
Interest-bearing borrowings – unsecured	2,034,585	5,218,750
Income tax payable	98,690	36,866
Bonds payable	<u>1,000,000</u>	<u>–</u>
Total current liabilities	<u>11,542,617</u>	<u>11,885,820</u>
NET CURRENT ASSETS	<u>119,411</u>	<u>1,902,023</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u><u>59,398,987</u></u>	<u><u>56,282,946</u></u>

	31 December 2016 RMB'000	31 December 2015 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>59,398,987</u>	<u>56,282,946</u>
NON-CURRENT LIABILITIES		
Interest-bearing borrowings – unsecured	22,919,274	21,099,816
Bonds payable	6,980,575	7,976,053
Deferred tax liabilities	3,379	5,019
Other borrowings	807,335	286,656
Deferred income	72,238	72,878
Other non-current liabilities	<u>47,886</u>	<u>74,177</u>
Total non-current liabilities	<u>30,830,687</u>	<u>29,514,599</u>
Net assets	<u>28,568,300</u>	<u>26,768,347</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	3,254,007	3,254,007
Reserves	20,163,056	18,869,757
Proposed final dividend	<u>598,737</u>	<u>27,659</u>
	24,015,800	22,151,423
Non-controlling interests	<u>4,552,500</u>	<u>4,616,924</u>
Total equity	<u>28,568,300</u>	<u>26,768,347</u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. AMENDMENTS TO IFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

The Group has adopted the following amendments for the first time for the current year's financial statements:

Amendments to IFRS 11	<i>Accounting for Acquisitions of interests in Joint Operations</i>
Amendments to IAS 1	<i>Disclosure Initiative</i>
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to IFRSs	<i>Annual Improvements to IFRSs 2012-2014 Cycle</i>

The adoption of the above amendments has had no significant financial effect on these financial statements.

2. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold, after allowances for goods returns and trade discounts and the invoiced value of services rendered during the year.

An analysis of revenue, other income and other gains and losses is as follows:

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
<u>Revenue</u>		
Sale of goods	21,742,304	18,699,785
Rendering of services	574,826	416,387
	<u>22,317,130</u>	<u>19,116,172</u>
<u>Other income</u>		
Income from the sale of materials	40,469	33,476
Income from the rendering of other services	225,937	192,020
Dividend income from available-for-sale investments	90,898	35,069
Refund	5,856	5,126
Government grants	20,204	30,901
Indemnities received	3,820	2,066
Realised fair value gain on futures contracts	7,969	9,693
Others	13,622	416
	<u>408,775</u>	<u>308,767</u>
<u>Other gains and losses</u>		
Gain on disposal of available-for-sale investments	23,947	79,521
Loss on disposal/written off of items of property, plant and equipment and intangible assets, net	(138,248)	(40,138)
Loss on impairment of assets	(504,379)	(148,502)
Gain on disposal of subsidiaries	171,149	–
Reversal of impairment losses	4,000	300
Others	(14)	–
	<u>(443,545)</u>	<u>(108,819)</u>

3. FINANCE INCOME

The Group's finance income is as follows:

	Group	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	60,724	64,149
Interest income from financial products	7,311	15,971
	<u>68,035</u>	<u>80,120</u>

4. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	Group	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on borrowings	1,728,212	1,135,998
Interest on bonds payable	508,622	508,322
Total interest expense	2,236,834	1,644,320
Less: Interest capitalised	(1,302,905)	(776,508)
	<u>933,929</u>	<u>867,812</u>

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.90% (2015: 5.71%) per annum to expenditure on qualifying assets.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	<u>Group</u>	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold	16,352,941	15,220,271
Cost of services provided	329,437	222,717
Depreciation of property, plant and equipment	1,929,967	1,608,127
Depreciation of investment properties	21,368	18,611
Amortisation of prepaid land lease payments	25,629	53,534
Amortisation of mining rights	22,905	25,575
Amortisation of other intangible assets	28,160	33,379
Amortisation of other non-current assets	6,890	12,390
	<u>2,034,919</u>	<u>1,751,616</u>
Total depreciation and amortisation		
Research and development costs (included in general and administrative expenses)	48,788	103,152
Auditors' remuneration	5,861	7,481
Employee benefit expense (excluding directors' and supervisors' remuneration):		
Wages, salaries and other employees' benefits	1,058,028	1,157,908
Pension scheme contributions (defined contribution plans)	152,230	55,709
	<u>1,210,258</u>	<u>1,213,617</u>
Impairment losses included in other gains and losses		
Impairment of trade receivables	7,508	25
Impairment of property, plant and equipment	464,416	124,097
Impairment of mining rights	–	14,537
Impairment of prepaid land lease payments	–	5,003
Impairment of other intangible assets	–	354
Impairment of available-for-sale investments	23,768	–
Others	8,687	4,486
	<u>504,379</u>	<u>148,502</u>
Gross rental income from investment properties	36,616	36,752
Less: Direct operating expenses incurred for investment properties that generated rental income	<u>–</u>	<u>–</u>
	<u>36,616</u>	<u>36,752</u>

6. INCOME TAX EXPENSE

	<u>Group</u>	
	<u>2016</u> <i>RMB'000</i>	<u>2015</u> <i>RMB'000</i>
Group:		
Current tax – Mainland China	163,390	148,922
Under provision in prior years	458	6,348
Deferred tax	275,662	(113,673)
Total tax charge for the year	<u>439,510</u>	<u>41,597</u>

PRC corporate income tax (the “CIT”) was provided at a rate of 25% on the taxable income as reported in the statutory accounts of the companies comprising the Group, which were prepared in accordance with the relevant PRC accounting standards, as adjusted for income and expense items which are not assessable or deductible for income tax purposes.

Certain subsidiaries were entitled to a preferential CIT rate of 15% from 1 January 2011 to 31 December 2020 based on the revised version of the Guidance Catalogue for Adjustment of Industrial Structure (產業結構調整指導目錄(2011年本)修正) issued by the National Development and Reform Commission which was related to the approval given to selected entities to enjoy the preferential tax rate in the Western Development.

Certain subsidiaries were entitled to be exempted from income tax in three years starting from the first profit-making year and allowed a 50 percent reduction in the following three years (三免三減半) from March 2015, based on the Catalogue of Income Tax Preference for Corporations Implementing Public Infrastructure Programs issued by the National Administration of Taxation (國家稅務總局關於執行公共基礎設施項目企業所得稅優惠目錄－財稅[2008]46號).

A reconciliation of the tax expense applicable to profit before tax at the statutory income tax rate to the tax expense for each of the years ended 31 December 2016 and 2015 is as follows:

	<u>Group</u>	
	<u>2016</u> <i>RMB'000</i>	<u>2015</u> <i>RMB'000</i>
Profit before tax	<u>2,564,871</u>	<u>294,323</u>
Tax at the statutory tax rate of 25%	641,218	73,581
Effect of preferential tax rates	(94,807)	(71,620)
Tax concession	(103,791)	(16,217)
Under provision in respect of current tax of previous periods	458	6,348
Entertainment expenses not deductible for tax purposes	7,070	11,296
Profits and losses attributable to associates and joint ventures	10,305	(6,627)
Effect of tax losses not recognised	5,406	43,668
Effect of impairment not recognised	–	6,470
Utilisation of tax losses and impairment which were not recognised previously	(33,797)	–
Others	(7,448)	(5,302)
Tax charge at the Group’s effective rate	<u>439,510</u>	<u>41,597</u>

As detailed in note 4 to the Group's consolidated financial statements for the year ended 31 December 2015, the Group had tax contingencies relating to the implementation of tax policy regarding the Catalogue of Encouraged Industries in Western China (西部地區鼓勵類產業目錄, "CEIWC") in respect of the Group's entitlement of the preferential corporate income rate ("CIT") of 15%. The tax contingencies amount to RMB586 million, RMB470 million and RMB135 million for the years ended 31 December 2011, 2012 and 2013, respectively. Continuing communication and clarification has been made with the relevant tax authority, and based on the latest clarification from the relevant tax authority that no retrospective adjustments would be made to the tax assessments for the aforesaid periods, the directors consider it is remote that the Group would have to pay additional tax for the aforesaid periods.

7. DIVIDENDS

	<u>Group</u>	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2015 final – RMB0.08 (2014 final: RMB2.08)		
per 10 ordinary shares	<u>27,659</u>	<u>676,833</u>

The board of directors of the Company recommended on 23 March 2017 to propose a final cash dividend of RMB598,737,000 or RMB1.84 per 10 (2015: RMB27,659,060 or RMB0.085 per 10) ordinary shares. The above-mentioned proposed final cash dividend for the year ended 31 December 2016 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. EARNINGS PER SHARE - BASIC

The calculation of the basic earnings per share amount is based on the profit for the years ended 31 December 2016 and 2015 attributable to owners of the Company and the number of ordinary shares in issue during the years ended 31 December 2016 and 2015.

The calculations of basic earnings per share are based on:

	<u>Group</u>	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
<u>Earnings</u>		
Profit for the year attributable to owners of the Company	<u>1,985,762</u>	<u>90,501</u>
<u>Shares</u>		
Number of ordinary shares in issue during the year (in thousand)	<u>3,254,007</u>	<u>3,254,007</u>

No diluted earnings per share was calculated since the Group had no potential ordinary shares in issue for the years ended 31 December 2016 and 2015.

9. TRADE AND BILLS RECEIVABLES

	Group	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	2,158,087	2,419,873
Amounts due from associates	8,164	25,803
Amounts due from Yitai Group	<u>–</u>	<u>10</u>
	2,166,251	2,445,686
Less: Provision for impairment	<u>(7,508)</u>	<u>–</u>
	2,158,743	2,445,686
Bills receivable	<u>173,548</u>	<u>1,369,573</u>
	<u>2,332,291</u>	<u>3,815,259</u>

The Group requires certain of its customers to pay in advance and makes provision for the doubtful trade receivable balance at the end of the reporting period. The carrying amounts of the trade receivables and bills receivable approximate to their fair values.

Bills receivable are bills of exchange with maturity of less than six months.

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on invoice date and net of provisions, is as follows:

	Group	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Within six months	2,158,743	2,440,755
Over six months but within one year	–	3,306
Over one year but within two years	<u>–</u>	<u>1,625</u>
	<u>2,158,743</u>	<u>2,445,686</u>

All the receivables were neither past due nor impaired, and relate to a wide range of customers for whom there was no recent history of default.

The trade receivables of the Group at the end of the reporting period relate to a large number of diversified customers for whom there was no recent history of default.

At 31 December 2016, the Group endorsed certain bills receivable accepted by banks in Mainland China (the “Bills”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB613,600,000 (2015: RMB1,458,387,000). The Bills had a maturity of one to five months at the end of the reporting period. In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Bills. Accordingly, it has derecognised the full carrying amounts of the Bills and the associated liabilities. The maximum exposure to loss from the Bills is equal to their carrying amounts. During the years ended 31 December 2016 and 2015, the Group has not recognised any loss in relation to the continuing involvement, both during the year or cumulatively.

10. TRADE AND BILLS PAYABLES

	Group	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables to third parties	1,293,786	1,180,632
Trade payables to associates	18,061	2,313
Trade payables to Yitai Group	162,771	8,000
Trade payables to other related parties	104	61
	<u>1,474,722</u>	<u>1,191,006</u>
Bills payable	<u>1,222,860</u>	<u>325,150</u>
	<u><u>2,697,582</u></u>	<u><u>1,516,156</u></u>

An aged analysis of the Group’s trade payables, based on the invoice dates, is as follows:

	Group	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Within six months	840,369	920,024
Over six months but within one year	459,119	162,726
Over one year but within two years	121,482	74,581
Over two years but within three years	33,659	33,675
Over three years	20,093	–
	<u>1,474,722</u>	<u>1,191,006</u>

Bills payable are bills of exchange with maturity of less than six months.

The trade payables are non-interest-bearing and have a credit term ranging from 30 to 90 days. The credit terms granted by the related parties are similar to those offered by the related parties to their major customers.

11. OPERATING SEGMENT INFORMATION

Information reported to the executive directors of the Company, being chief operating decision maker (the “CODM”), for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The CODM reviews operating results and financial information for each operating company separately. Accordingly, each operating company, including associates and joint ventures held by the relevant operating company, is identified as an operating segment. Those operating companies are aggregated into coal segment, transportation segment and coal-related chemical segment respectively for segment reporting purpose after taking into account that those operating companies are operating in similar business model with similar target group of customers, similar products and services and similar methods used to distribute their products and under the same regulatory environment.

Specifically, the Group’s reportable segments under IFRS 8 *Operating Segments* are as follows:

- (a) the coal segment is engaged in the mining and sale of coal products;
- (b) the transportation segment provides road and railway transportation services to coal companies;
- (c) the coal-related chemical segment produces and sells coal-based synthetic fuel.

The “others” comprises a number of immaterial businesses and none of these units has ever individually met the quantitative thresholds for determining a reportable segment.

All income and expenses (other than income tax expense) are attributed to the respective segments. Accordingly, the aggregated segment result is the same as the consolidated profit before tax of the Group.

Revenue from major products/services

The following is an analysis of the Group’s revenue from its major products and services:

	2016 <i>RMB’000</i>	2015 <i>RMB’000</i>
Coal	20,318,680	16,847,610
Coal-related chemical products	1,415,931	1,844,963
Transportation services	574,826	416,387
Others	7,693	7,212
	<u>22,317,130</u>	<u>19,116,172</u>

Intersegment revenues are eliminated on consolidation. Intersegment sales are transacted with reference to the selling prices used for sales made to third parties and at the then prevailing market prices.

Year ended 31 December 2016	Coal RMB'000	Transportation RMB'000	Coal-related chemical RMB'000	Segment total RMB'000	Others RMB'000	Consolidated RMB'000
Segment revenue						
Sales to external customers	20,318,680	574,826	1,415,931	22,309,437	7,693	22,317,130
Intersegment sales	266,362	1,185,196	31,769	1,483,327	-	1,483,327
	<u>20,585,042</u>	<u>1,760,022</u>	<u>1,447,700</u>	<u>23,792,764</u>	<u>7,693</u>	<u>23,800,457</u>
<i>Reconciliation</i>						
Elimination of intersegment sales						<u>(1,483,327)</u>
Revenue						<u>22,317,130</u>
Segment results						
Profit/(loss) before tax	2,220,371	413,476	(40,778)	2,593,069	(28,198)	2,564,871
Income tax expense						<u>(439,510)</u>
Profit for the year						<u>2,125,361</u>
Segment assets	50,172,243	13,347,769	27,819,012	91,339,024	524,103	91,863,127
<i>Reconciliation</i>						
Elimination of investments costs						(9,731,083)
Elimination of intersegment receivables						(10,930,912)
Elimination of capitalised intersegment finance costs						<u>(259,528)</u>
Total assets						<u><u>70,941,604</u></u>
Segment liabilities	25,877,427	5,739,124	21,171,708	52,788,259	515,957	53,304,216
<i>Reconciliation</i>						
Elimination of intersegment payables						<u>(10,930,912)</u>
Total liabilities						<u><u>42,373,304</u></u>
Other segment information						
Amounts included in the measure of segment results or segment assets:						
Share of losses of associates	(3,089)	-	(61,475)	(64,564)	-	(64,564)
Share of losses of joint ventures	(1,248)	-	-	(1,248)	-	(1,248)
Finance income	68,035	-	-	68,035	-	68,035
Finance costs	(656,809)	(226,084)	(47,558)	(930,451)	(3,478)	(933,929)
Impairment losses	(504,379)	-	-	(504,379)	-	(504,379)
Depreciation and amortisation	(1,410,543)	(414,519)	(208,897)	(2,033,959)	(960)	(2,034,919)
Investments in associates	835,273	-	57,578	892,851	-	892,851
Investments in joint ventures	31,041	-	49,000	80,041	-	80,041
Capital expenditure*	1,354,496	215,906	4,360,667	5,931,069	-	5,931,069
(Loss)/gain on disposal of property, plant and equipment and intangible assets	(133,581)	(4,921)	254	(138,248)	-	(138,248)
Gain on disposal of subsidiaries	159,566	-	11,583	171,149	-	171,149

* Capital expenditure consists of additions to investments in associates, investments in joint ventures, property, plant and equipment, prepaid land lease payments, other intangible assets and other non-current assets.

Year ended 31 December 2015

	Coal RMB'000	Transportation RMB'000	Coal-related chemical RMB'000	Segment total RMB'000	Others RMB'000	Consolidated RMB'000
Segment revenue						
Sales to external customers	16,847,610	416,387	1,844,963	19,108,960	7,212	19,116,172
Intersegment sales	226,270	1,294,538	12,801	1,533,609	–	1,533,609
	17,073,880	1,710,925	1,857,764	20,642,569	7,212	20,649,781
<i>Reconciliation</i>						
Elimination of intersegment sales						(1,533,609)
Revenue						19,116,172
Segment results						
Profit/(loss) before tax	(240,338)	521,286	14,852	295,800	(1,477)	294,323
Income tax expense						(41,597)
Profit for the year						252,726
Segment assets	41,849,699	13,303,799	25,132,059	80,285,557	2,540	80,288,097
<i>Reconciliation</i>						
Elimination of investments costs						(10,101,868)
Elimination of intersegment receivables						(1,931,295)
Elimination of capitalised intersegment finance costs						(86,168)
Total assets						68,168,766
Segment liabilities	21,363,362	5,808,077	16,154,636	43,326,075	5,639	43,331,714
<i>Reconciliation</i>						
Elimination of intersegment payables						(1,931,295)
Total liabilities						41,400,419
Other segment information						
Amounts included in the measure of segment results or segment assets:						
Share of profits of associates	13,765	–	11,169	24,934	–	24,934
Share of profits of joint ventures	1,572	–	–	1,572	–	1,572
Finance income	80,120	–	–	80,120	–	80,120
Finance costs	(628,703)	(171,585)	(67,167)	(867,455)	(357)	(867,812)
Impairment losses	(148,502)	–	–	(148,502)	–	(148,502)
Reversal of impairment losses	300	–	–	300	–	300
Depreciation and amortisation	(1,215,760)	(337,234)	(197,505)	(1,750,499)	(1,117)	(1,751,616)
Investments in associates	716,874	–	77,655	794,529	–	794,529
Investments in joint ventures	32,289	–	49,000	81,289	–	81,289
Capital expenditure*	1,788,428	589,533	7,427,611	9,805,572	–	9,805,572
Loss on disposal of property, plant and equipment and intangible assets	(28,351)	(11,661)	(126)	(40,138)	–	(40,138)

Geographical information

Over 90% of the revenue and operating results of the Group are derived from the PRC based on location of the operations.

The Group's non-current assets are all located in PRC.

During the year ended 31 December 2016, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue (2015: Nil).

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.