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兖州煤業股份有限公司
YANZHOU COAL MINING COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1171)

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

The board of directors (the “**Board**”) of Yanzhou Coal Mining Company Limited (the “**Company**”) is pleased to announce the audited 2016 annual results of the Company and its subsidiaries for the year ended 31 December 2016. The annual results have been reviewed by the audit committee of the Board.

This announcement, containing the full text of the 2016 Annual Report of the Company, complies with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in relation to the information to accompany preliminary announcement of annual results.

The Board proposes a final cash dividend of RMB1.2 per 10 shares (tax inclusive) on the basis of 4,912,016,000 shares (the total share capital of the Company as at 31 December 2016) for the financial year ended 31 December 2016, which is conditional upon the approval by the shareholders of the Company at the 2016 annual general meeting of the Company (the “**AGM**”). The expected payment date of the final dividend will be announced after the profit distribution plan is approved at the AGM.

The date of the AGM and the relevant arrangement for the closure of the register of members have not been determined as at the date of this announcement. Further announcement(s) will be made by the Company as and when appropriate in accordance with the Listing Rules.

The 2016 annual results announcement is available for viewing on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.yanzhoucoal.com.cn.

By order of the board of directors
Yanzhou Coal Mining Company Limited
Li Xiyong
Chairman of the Board

Zoucheng City, Shandong Province, the PRC
31 March 2017

As at the date of this announcement, the directors of the Company are Mr. Li Xiyong, Mr. Li Wei, Mr. Wu Xiangqian, Mr. Wu Yuxiang, Mr. Zhao Qingchun, Mr. Guo Dechun and Mr. Guo Jun, and the independent non-executive directors of the Company are Mr. Kong Xiangguo, Mr. Jia Shaohua, Mr. Wang Xiaojun and Mr. Qi Anbang.

Chapter 01

Definition

I. DEFINITION

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

“Yanzhou Coal”, “Company” or “the Company”	Yanzhou Coal Mining Company Limited, a joint stock limited company incorporated under the laws of the PRC in 1997 and the H Shares and A Shares of which are traded on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively;
“Group” or “the Group”	the Company and its subsidiaries;
“Yankuang Group” or “the Controlling Shareholder”	Yankuang Group Company Limited, a company with limited liability reformed and established in accordance with the PRC law in 1996, being the Controlling Shareholder of the Company directly and indirectly holding 56.59% of the total share capital of the Company as at the end of the reporting period;
“Yulin Neng Hua”	Yanzhou Coal Yulin Neng Hua Company Limited, a company with limited liability incorporated under the laws of the PRC in 2004 and a wholly-owned subsidiary of the Company, mainly engages in the production and operation of the methanol project in Shaanxi province;
“Heze Neng Hua”	Yanmei Heze Neng Hua Company Limited, a company with limited liability incorporated under the laws of the PRC in 2004 and a 98.33% owned subsidiary of the Company, mainly engages in the development of Juye coal field in Heze city, Shandong Province;
“Shanxi Neng Hua”	Yanzhou Coal Shanxi Neng Hua Company Limited, a company with limited liability incorporated under the laws of the PRC in 2002 and a wholly-owned subsidiary of the Company, mainly engages in the management of the projects invested in Shanxi province by the Company;

“Tianchi Energy”	Shanxi Heshun Tianchi Energy Company Limited, a company with limited liability incorporated under the laws of the PRC in 1999 and a 81.31% owned subsidiary of Shanxi Neng Hua, mainly engages in the production and operation of Tianchi Coal Mine;
“Hua Ju Energy”	Shandong Hua Ju Energy Company Limited, a company with limited liability incorporated under the laws of the PRC in 2002 and a 95.14% owned subsidiary of the Company, mainly engages in the thermal power generation with gangue and slurry, and heating supply;
“Ordos Neng Hua”	Yanzhou Coal Ordos Neng Hua Company Limited, a company incorporated under the laws of the PRC in 2009 and a wholly-owned subsidiary of the Company, mainly engages in the development of coal resources and coal chemical projects of the Company in the Inner Mongolia Autonomous Region;
“Haosheng Company”	Inner Mongolia Haosheng Coal Mining Company Limited, a limited company incorporated under the laws of the PRC in 2010 and a 77.75% owned subsidiary of the Company, mainly engages in the construction and operation of Shilawusu coal field located in Ordos in the Inner Mongolia Autonomous Region;
“Donghua Heavy Industry”	Yankuang Donghua Heavy Industry Company Limited, a company with limited liability incorporated under the laws of the PRC in 2013 and a wholly-owned subsidiary of the Company, mainly engages in the design, manufacturing, installation, repairing and maintenance of the Company’s mining equipment, electromechanical equipments and parts;
“Zhongyin Financial Leasing”	Zhongyin Financial Leasing Company Limited, a company with limited liability incorporated with the laws of the PRC in 2014 and a 99.15% directly and indirectly owned subsidiary of the Company, mainly engages in the financial leasing, leasing, leasing trade consultation and guarantees, commercial factoring related to main business, etc.

“Duanxin Beijing”	Duanxin Investment Holding (Beijing) Company Limited, a company with limited liability incorporated with the laws of the PRC in 2014 and a wholly-owned subsidiary of the Company, mainly engages in project investment, enterprise management, investment management, enterprise management consultation, investment consultation, etc.
“Yancoal Australia”	Yancoal Australia Limited, a company with limited liability incorporated under the laws of Australia in 2004 and a 78% owned subsidiary of the Company, the shares of Yancoal Australia are traded on the Australian Securities Exchange;
“Yancoal International”	Yancoal International (Holding) Company Limited, a company with limited liability incorporated under the laws of Hong Kong in 2011 and a wholly-owned subsidiary of the Company;
“Railway Assets”	the railway assets specifically used for coal transportation for the Company, which are located in Jining City, Shandong Province;
“H Shares”	Overseas listed foreign invested shares in the ordinary share capital of the Company, with nominal value of RMB1.00 each, which are traded on the Hong Kong Stock Exchange;
“A Shares”	Domestic shares in the ordinary share capital of the Company, with nominal value of RMB1.00 each, which are traded on the Shanghai Stock Exchange;
“ADSs”	American depositary shares, each representing ownership of 10 H Shares, which were issued in 1998;
“PRC”	the People’s Republic of China;
“CASs” or “ASBEs”	Accounting Standard for Business Enterprises and the relevant regulations and explanations issued by the Ministry of Finance of PRC;
“IFRS”	International Financial Reporting Standards issued by the International Accounting Standard Board;

“CSRC”	China Securities Regulatory Commission;
“Hong Kong Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
“Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited;
“Shanghai Stock Exchange”	the Shanghai Stock Exchange;
“Articles”	the Articles of Association of the Company;
“Shareholders”	the shareholders of the Company;
“Directors”	the directors of the Company;
“Board”	the board of directors of the Company;
“Supervisors”	the supervisors of the Company;
“RMB”	Renminbi, the lawful currency of the PRC, unless otherwise specified;
“AUD”	Australian dollars, the lawful currency of Australia;
“USD”	the United States dollars, the lawful currency of the United States; and
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region.

Assets Layout of the Group



Group Profile and Major Financial Indicators

I. GENERAL INFORMATION OF THE GROUP

Statutory Chinese Name:	兖州煤业股份有限公司
Abbreviation of Chinese Name:	兖州煤业
Statutory English Name:	Yanzhou Coal Mining Company Limited
Legal Representative:	Li Xiyong
Authorized Representatives of the Hong Kong Stock Exchange:	Zhao Qingchun, Jin Qingbin

II. CONTACT DETAILS

Secretary to the Board/Company Secretary:	Jin Qingbin
Address:	Office of the Secretary to the Board, 298 Fushan South Road, Zoucheng City, Shandong Province, PRC
Tel:	(86 537) 5382319
Fax:	(86 537) 5383311
E-mail Address:	yzc@yanzhoucoal.com.cn

Representative of Shanghai Stock Exchange:	Pan Shutian
Address:	Office of the Secretary to the Board, 298 Fushan South Road, Zoucheng City, Shandong Province, PRC
Tel:	(86 537) 5385343
Fax:	(86 537) 5383311
E-mail Address:	yzc_panst@163.com

III. GENERAL INFORMATION

Registered Address:	298 Fushan South Road, Zoucheng City, Shandong Province, PRC
Postal Code:	273500
Office Address:	298 Fushan South Road, Zoucheng City, Shandong Province, PRC
Postal Code:	273500
Official Website:	http://www.yanzhoucoal.com.cn
E-mail Address:	yzc@yanzhoucoal.com.cn

IV. INFORMATION DISCLOSURE AND DESIGNATED LOCATION

Newspapers for information disclosure in PRC:	China Securities Journal, Shanghai Securities News
Website designated by the CSRC for publishing A shares annual report:	http://www.sse.com.cn
Websites designated to publish annual report overseas:	http://www.hkexnews.hk
The above annual reports are available at:	298 Fushan South Road, Zoucheng City, Shandong, the P.R.C. Office of the Secretary to the Board, Yanzhou Coal Mining Company Limited

V. CORPORATE STOCKS

Place of Listing, Stock Abbreviation, Stock Code	
A Shares:	Place of listing: The Shanghai Stock Exchange Stock Code: 600188 Stock Abbreviation: Yanzhou Mei Ye
H Shares:	Place of listing: The Stock Exchange of Hong Kong Limited Stock Code: 01171

VI. OTHER INFORMATION

Certified Public Accountants (Domestic)	
Name:	Shine Wing Certified Public Accountants (special general partnership)
Office Address:	9/F, Block A, Fuhua Mansion, 8 Chaoyangmen Beidajie, Dongcheng District, Beijing, PRC
Certified Public Accountants:	Liu Jingwei (劉景偉) Li Suping (李素平)
Certified Public Accountants (overseas)	
Name:	SHINEWING (HK) CPA Limited
Office Address:	43 rd Floor, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
Certified Public Accountants:	Lau Kai Wong (劉佳煌)
Name:	Grant Thornton (special general partnership)
Office Address:	10 th Floor, Scitech Place 22 Jianguomen Wai Avenue Chaoyang District Beijing, China

Chapter 02 Group Profile and Major Financial Indicators

Domestic Legal Advisor:	King & Wood Mallesons, PRC Lawyers, Beijing
Office Address:	20 th Floor, East Tower, World Financial Center, 1 East 3rd Ring Middle Road, Chaoyang District, Beijing, PRC
Hong Kong and US Legal Advisor:	Baker & McKenzie
Office Address:	14 th Floor, Hutchison House, 10 Harcourt Road, Hong Kong
Shanghai Share Registrar:	China Securities Depository and Clearing Corporation Limited Shanghai Branch
Address:	3 rd Floor China Insurance Tower, 166 Lujiazui East Road, Pudong, Shanghai, PRC
Hong Kong Share Registrar:	Hong Kong Registrars Limited
Address:	Room 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong
Address in Hong Kong:	Rooms 2008-12, 20/F the Center, 99 Queen's Road Central, Hong Kong
Contact Person:	Law Nga Ting
Tel:	(852) 2136 6185
Fax:	(852) 3170 6606

VII. FINANCIAL HIGHLIGHTS OF LAST FIVE YEARS

(Prepared in accordance with the IFRS)

The financial highlights were prepared based on the financial information set out in the audited consolidated income statements, consolidated balance sheets and the consolidated statements of cash flows of the Group from 2012 to 2016.

(I) Operating Results

Unit: RMB'000

	Year ended 31 December				2012	
	2016	2015	2014	2013	After adjustment (restated)	Before adjustment
Sales income	33,272,432	36,404,086	60,370,764	56,401,826	58,146,184	58,146,184
Gross profit	9,463,988	6,153,611	7,481,414	10,687,780	12,625,835	12,813,283
Interest expenses	(2,501,016)	(2,484,411)	(2,183,581)	(1,765,777)	(1,448,679)	(1,448,679)
Income before tax	2,695,112	622,257	1,599,910	(580,268)	6,070,376	6,346,182
Net income attributable to equity holders of the Company	1,649,391	164,459	766,158	777,368	6,065,570	6,218,969
Earnings per share	RMB0.34	RMB0.03	RMB 0.16	RMB 0.16	RMB 1.23	RMB 1.26
Dividend per share ^{note}	RMB0.12	RMB 0.01	RMB 0.02	RMB 0.02	RMB 0.36	RMB 0.36

Notes:

- ① In 2016, the Group consolidated the financial statements of Shandong Yanmei Property Services Co., Ltd., Shandong Zhongyin International Trade Co., Ltd. and Duanxin Investment Holding (Shenzhen) Co., Ltd. In 2015, the Group consolidated the financial statements of Shandong Duanxin Supply Chain Co., Ltd., Donghua Heavy Industries Co., Ltd. and Qingdao Zhongyin Ruifeng International Trade Co., Ltd (“Qingdao Zhongyin Ruifeng”). In 2014, the Group consolidated financial statements of Shandong Zhongyin Logistics and Trade Co., Ltd., Zhongyin Financial Leasing Co., Ltd. (“Zhongyin Financial Leasing”) and Duanxin Beijing.
- ② The Company repurchased H shares in 2015. Pursuant to relevant repurchase laws and regulations, earnings per share, the shareholding ratio and other related indexes in 2015 and 2016 were calculated based on the total equity after deduction of repurchased shares.
- ③ The annual dividends per share of 2016 is the recommended dividends to be declared.
- ④ Pursuant to the new regulations promulgated by International Financial Reporting Interpretations Committee with regard to the “Overburden in Advance in the Production of an Open Cut”, the Group accounted for the figures of overburden in advance from January 1, 2013 onwards and had made retrospective adjustments on the relevant figures in the financial statement of 2012.

Chapter 02 Group Profile and Major Financial Indicators

(II) Assets and Liabilities

Unit: RMB'000

	31 December				2012	
	2016	2015	2014	2013	After adjustment (restated)	Before adjustment
Net current assets	-9,872,437	6,754,770	10,756,460	2,708,424	1,210,802	1,659,691
Net value of property, machinery and equipment	31,023,022	28,659,378	30,051,838	25,302,854	25,294,461	25,294,461
Total assets	147,455,472	142,471,875	133,098,114	127,458,189	122,165,076	122,702,323
Total borrowings	65,577,791	69,479,805	61,438,088	55,375,011	40,996,382	40,996,382
Equity attributable to equity holders of the Company	37,138,676	35,369,901	38,725,846	40,378,678	45,530,034	45,826,356
Net asset value per share	RMB 7.56	RMB 7.20	RMB 7.87	RMB 8.21	RMB 9.26	RMB 9.32
Return on net assets (%)	4.44	0.46	1.98	1.93	13.32	13.57

Note: In 2016, the Group adjusted the detailed items of “Net value of property, machinery and equipment”, and made adjustments to the relevant items from 2012 to 2015 in the same standard correspondingly.

(III) Summary Statement of Cash Flows

Unit: RMB'000

	Year ended 31 December				
	2016	2015	2014	2013	2012
Net cash from operating activities	11,220,674	3,849,356	3,928,286	(2,385,669)	6,484,284
Net increase (decrease) in cash and cash equivalents	(3,695,940)	7,217,642	4,329,190	(2,418,509)	4,461,375
Net cash flow per share from operating activities	RMB2.28	RMB0.78	RMB 0.80	RMB(0.49)	RMB 1.32

Note: In 2016, the Group made fine-tuning of the items listed in the cash flow statement, and made fine-tuning to that of year 2012 to year 2015 in the same standard correspondingly. The fine-tunings mentioned above make no impact on the net increase or decrease of the current cash and cash equivalent.

VIII. QUARTERLY FINANCIAL DATA OF 2016

(Prepared in accordance with the CASs)

Unit: RMB'000

	Quarter 1 (Jan-Mar)	Quarter 2 (Apr-Jun)	Quarter 3 (Jul-Sep)	Quarter 4 (Oct-Dec)
Business income	11,768,360	12,866,858	40,142,100	37,204,895
Net profit attributable to shareholders of listed companies	247,499	344,923	425,590	1,046,573
Net profit attributable to shareholders of listed companies after deducting non-recurring gains and losses	214,244	-117,943	404,487	988,707
Net cash flow generated in business activities	-296,898	247,110	2,205,647	4,265,811

I. THE COMPANY'S MAIN BUSINESS, BUSINESS MODEL AND INDUSTRIES DURING THE REPORTING PERIOD

(I) Main Business and Business Model

1. Coal business

As one of the main coal producers and coal traders in China and Australia, the Company is engaged in coal mining, coal washing and process, coal sales. The products of the Company mainly include thermal coal, semi-hard coal, semi-soft coal and PCI coal, which are applicable to electric power, metallurgy and chemical industry, etc.; The Company's customers are mainly distributed in Japan, South Korea, Australia and east China, south China and other countries and regions of China.

2. Coal chemicals business

The Company's coal chemical industries are mainly distributed in Shaanxi Province and Inner Mongolia Autonomous Region engaged in methanol production and marketing. The methanol products are mainly sold to the chemical enterprises and intermediate traders of North China and East China.

3. Equipment manufacturing

The Company's equipment manufacturing industry is mainly engaged in manufacturing, sales, leasing and maintenance of mechanical and electrical equipments including hydraulic supports, road headers, shearers and others. Based on consolidating of internal markets and targeting development demands of infrastructure markets, the Company successfully developed the first sets of nationalized continuous belt conveyor and introduced into the high-end belt conveyor market for tunneling engineering, achieving the business docking with some national central enterprises.

4. Power generation and heat business

The Company owns and operates seven power plants with a total installed capacity of 482 MW. In addition to a small part of produced electricity used by the Company, the rest electricity was sold to end users through local grids. In addition to a part of heat from power plants used by the Company, the rest heat was sold to Yankuang Group Co., Ltd.

(II) Situation of Industry

Subject to the impacts of the soft global economic growth, the national structural reform of supply side and other factors, there has been periodical change in the energy consumption structure, decrease in the growth rate of coal demand and supply, significant achievement of the policy addressing overcapacity of coal and rational return of coal price to a reasonable level. However, the coal demand fundamentals did not change obviously and the stable operation of coal economy was still lack of a solid foundation.

II STATEMENTS OF SIGNIFICANT CHANGES OF MAJOR ASSETS DURING THE REPORTING PERIOD

The details of changes and cause analysis of major assets including construction in progress, etc. occurred during the reporting period are set out in “Chapter 5 Board of Directors’ Report”.

Including: In accordance with the CASs, overseas assets of RMB53.4146 billion, representing 36.7 % of total assets, no significant changes on yoy basis. Since 2004, the Company set up related overseas investment management platforms with priorities of Yancoal Australia and Yancoal International through various ways of overseas assets or equity acquisitions, company establishments, backdoor issue, etc. Please see the details of production and operation of Yancoal Australia and Yancoal International in “Chapter 5 Board of Directors’ Report”.

III CORE COMPETITIVENESS ANALYSIS DURING THE REPORTING PERIOD

In 2016, facing the challenges from complicated and severe economic situation, profound regulation of the national policy, and fluctuations of coal market, the Company integrated superior resources to promote the optimizing and strengthening of the headquarter base industries, accelerated emergence of the bases of Shaanxi and Inner Mongolia, optimization and adjustment of Australian base. As the flagship asset of Yancoal Australia-the Phase II project of Moolarben Mine was constructed and put into operation, becoming the biggest open cut in Australia, the coal industry continued to play a supporting role for the economic benefits. Coal chemical industry has maintained a good profitability. In the electromechanical equipment industry, the Company’s independent research and development of the world’s first set of fully mechanized mining equipment with the extra mining height of 8.2 meters was applied successfully, filling the historical gap of safety and high-efficient exploitation in global coal industry. The Company drove industrial dynamism through financial innovation, and coupled development entities with the financial capital. The development potential was laid through the perfecting financial industrial layout in Beijing, Shanghai, Shenzhen, and Qingdao. The Company carried out R&D on clean coal technology, and the pilot system was put into operation, taking the key steps of “clean utilization and green development” of the coal industry.

With the advantages of the management, technology and brand, in 2016, Yanzhou Coal ranked 84th in China’s Fortune Top 500 of 2016, with the overall ranking rose by 8 compared with the previous year, being the only ranked up company in the listed coal companies. Meanwhile, as the first and only coal company that won the National Quality Management Award twice, Yanzhou Coal has set up a benchmark model for the national coal industry to pursue the excellence, and the core corporate competitiveness of the Company has been further strengthened.



Mr. Li Xiyong *Chairman*

Respected Shareholders,

On behalf of the Board, I would like to present the 2016 annual report of the Company and report our development plan for the year 2017 to all the Shareholders.

BUSINESS REVIEW

In 2016, the global economy experienced slow recovery and Chinese government made initial success in the supply-side structural reform, which ameliorated the severe imbalance of supply and demand of coal market, contributed to the rational return of coal price to a reasonable level, and resulted in the remarkable increase of Chinese coal companies' profit-making capacity. Confronted with national industry structure adjustment, fluctuations of coal market and unprecedented enhanced operation pressure, the operating results of the Company increased significantly by keeping close watch on the market trend, seizing the opportunity of market uprising and policy adjustment, and actively implementing flexible and effective operating measures such as squeezing internal potentiality and decreasing the cost. All of these manifested the outstanding ability of the Board and senior management of the Company in dealing with complicated market situation. During the reporting period, the Group produced 66.74 million tonnes of raw coal and 1.64 million tonnes of methanol, with 74.97 million tonnes of coal and 1.68 million tonnes of methanol sold, and net income attributable to the shareholder to the parent company amounted to RMB1.6494 billion.

New operation pillar. While the headquarter's coal mines remain a business pillar, new economic growth points have been established: a ten million coal mine in Shaanxi and Inner Mongolia base grew rapidly thanks to the commercial run of Zhuanlongwan coal mine and the approvals for Shilawusu Coal Mine and Yingpanhao Coal Mine issued by NDRC for capacity swap; Moolarben Coal Mine of Yancoal Australia became the largest open cut in Australia with the second stage project put into operation; coal chemical sector maintained good profit making capability thanks to the advantage of industrial scale; electrical and mechanical equipment manufacture obtained new breakthrough in research and development and market exploration by business restructure and professional management; and logistics and trade business have been enlarged dramatically by resource optimization and synergy and business mode innovation.

Industrial and financial synergy. By sticking to the “two-wheel drive” of entity operation and capital operation, integrating financial capital with industry development and relying on national policy and regional industrial advantages, the Company established financial investment management platform in Shanghai, Beijing, Shenzhen and Qingdao. As a result, a multi-level and multi-functional operation pattern integrating industry fund, asset management, financial leasing and financial holding has been basically established.

Management internal control. Domestic sales volume of coal increased steadily in the withered market by precise prediction of market trend and regional demand and implementation of active smart marketing. Production cost was reduced by tapping internal potentiality, reducing energy consumption and implementing stringent management, central reserve and allocation of materials and equipment, liquidizing existing resources and reducing production cost. Labor cost was reduced by optimizing human resource. Financial cost was reduced by establishing financial sharing platform and strengthening comprehensive management and control.

Breakthrough in sci-tech innovation. Through the active conduct of research and development on high-efficiency clean coal technology, a pilot system of clean formulated coal was put into operation, paving a new way for transformation and upgrading of coal industry. Long-wall mining equipment for super cutting height of 8.2 meters was successfully developed and put into use, making a record in global reliable and high efficient coal mining. Wanfu Coal Mine made two world records in super-thick overburden shaft construction and one-time inner wall installation. The Company leads the industry in clean coal utilization, high-efficient mining, shaft construction and other core technologies, all contributing important support to the industry transforming, upgrading and value creating of the Group.

In 2016, due to the excellent business performance and standardized corporate governance, the Company successively won the “Excellent Board of Directors Award-2016 Gold Round Table Award, “The Best New Media Operations Award of Investor Relationship of PRC listed Companies”, Awarded “Asian Recognition for Excellence in Quality Practice” by Asian Organization for Quality and “Aggressiveness Top 50 of Board of Supervisors in the Listed Companies” for the Board of Supervisors.

FUTURE PROSPECTS

Look into year 2017, world economy growth will remain depressed, while China economic development is climbing by dealing with difficulties. With help of constant implementation of policies in China like the supply-side structural reform, capacity cutting and environment protection, it is expected that domestic coal demand and supply will reach a new dynamic balance and global coal price will remain high-position adjustment.

Year 2017 is an important year for implementation of the “13th Five Year Plan”, for further structural reform in national coal supply side, for making breakthrough by transformational development and upgrading and releasing potentiality. The Group will seize the development trend of coal industry, make high-level layout and precise positioning, and construct a strategic development pattern integrating industrial sector, logistic and trade sector and finance sector. The sale volume of coal and methanol in 2017 is projected to be 78.60 million tonnes and 1.5 million tonnes, respectively.

To achieve all the operating targets, the Group is determined to focus on works as followings.

Strengthen industrial sector as a solid foundation for sustainable development. Promote overall industry development both at home and abroad and enhance economies of scale. Firstly, to maintain stable and high efficient production of coal mines in Shandong Province. Striving to be green clean energy supplier by innovatively promote development of coal sector in a safe, high efficient, clean and green way. Secondly, to increase the productivity and profit making capability of Zhuanlongwan, Shilawusu and Yingpanhao Coal Mine by taking advantage of national policy; to extend coal chemical industry chain in Shaanxi and Inner Mongolia base by expediting the second stage of Rongxin chemical project and Yulin methanol project. Thirdly, to be the first coal producer in Australia by enlarging coal production capacity of Moolarben Coal Mine and steadily progressing equity acquisition of Coal & Allied Industries Limited of Rio Tinto Group; Fourthly, to implement capital operation and accelerate the selection of prime coal resource in Ordos and promote the target project; Fifthly, to speed up technology upgrading in electronic and mechanical equipment manufacture, promote transformation of a low-end manufacturer into a high-end one and occupy the vantage position.

Enhance market competitiveness by paying equal attention to volume increasing and profit making. With strategy of “big marketing, big trading and big logistics”, enhance market competitiveness and profit making capability. Firstly, to increase profit making through marketing, including optimizing marketing efficiency model and promoting adjustment of marketing tactics and product mix simultaneously; Secondly, to increase trading volume and efficiency by following principle of “making risks controllable and value volume and efficiency equally”; Thirdly, to increase synergy of logistics by steadily promoting equity-participation in railway project so as to establish a railway network in eastward, westward and southward centering on Shaanxi and Inner Mongolia base, and increasing synergy of rail freight and canal freight by expanding the canal port of Sihe of Shandong Province to 10 million tonnes.

Chapter 04 Chairman's Statement

Progress expansion in finance sector steadily. By following principle of “finance servicing industry development and industry development boosting finance development”, make strategic integration of industrial capital and financial capital, thus forming a new pillar for the development of the Company; build up a financial industrial system by optimizing regional distribution of finance industry, consolidating strategic cooperation with all kinds of financial institutes, strengthening financial holding, asset management and industrial fund and other financial business.

Release internal growth potentiality by lean management. Create lean management culture by lean management involving all staff, all-round aspects and all process. Implement cost composition analysis and make strict control over unit consumption of materials and labor cost so as to realize the unit consumption of main product up to national leading level. Fully ensure the Company's demand of fund by lean management of financing, including innovatively promoting bond financing and equity financing based on traditional bank financing. Fine-tune asset structure so as to transform prime asset to high profit. Optimize human resource allocation and increase labor efficiency. Make fine and strict budget management and control fund investment in accurate calculation.

Value mission and undertaking, create bright future through hard working. In 2017, with focus on industry transformation and upgrading, green and low carbon development as well as the development objectives, Yancoal will release economic development potentiality, vitalize the synergy of industry and finance, and make favorable return to all Shareholders.

On behalf of the Board

Li Xiyong

Chairman

Zoucheng City, China

31 March 2017



Mr. Wu Xiangqian, *General Manager*

I. MANAGEMENT DISCUSSION AND ANALYSIS

Main business by industries

	Unit	2016	2015	Increase/ Decrease	Increase/ Decrease (%)
1. Coal Business					
Raw coal production	kilotonne	66,738	68,478	-1,740	-2.54
Salable coal production	kilotonne	62,365	62,869	-504	-0.80
Salable coal sales volume	kilotonne	74,969	87,242	-12,269	-14.06
2. Railway Transportation Business					
Transportation volume	kilotonne	13,443	15,993	-2,550	-15.94
3. Coal Chemicals Business					
Methanol production	kilotonne	1,641	1,671	-30	-1.80
Methanol sales volume	kilotonne	1,675	1,608	67	4.17
4. Power Generation Business					
Power generation	10,000KWh	277,715	263,952	13,763	5.21
Electricity sold	10,000KWh	179,907	167,736	12,171	7.26

	Unit	2016	2015	Increase/ Decrease	Increase/ Decrease (%)
5. Heat Business					
Heat generation	10,000 steam tonnes	133	130	3	2.31
Heat sales volume	10,000 steam tonnes	5	12	-7	-58.33
6. Electrical and Mechanical					
Equipment Manufacturing					
Output of Electrical and Mechanical Equipment					
(1) hydraulic support	kilotonne	67	56	11	19.64
(2) heading machine	set	15	12	3	25.00
(3) scraper/belt conveyor	kilotonne	29	25	4	16.00
(4) frequency converter and switch cabinet	set	5,420	5,230	190	3.63
Sales of Electrical and Mechanical Equipment					
(1) hydraulic support	kilotonne	22	24	-2	-8.33
(2) heading machine	set	2	5	-3	-60.00
(3) scraper/belt conveyor	kilotonne	22	19	3	15.79
(4) frequency converter and switch cabinet	set	4,018	2,451	1,567	63.93

Notes:

- There were significant differences between production volumes and sales volumes of related products of power business, heat business and electromechanical manufacturing business in the above table. It was mainly due to that related products of the Group are sold externally after satisfying its internal operating requirements.
- In July 2015, as an acquisition under the common control, the Company acquired 100% equity interest of Donghua Heavy Industry held by Yankuang Group.

In 2016, affected by national reform of supply side and production reduction policy of coal industry, the Group's sales volume of self produced coal and traded coal was decreased. In 2016, the Group realized coal sales of 74.97 million tonnes, including: self produced coal sales of 60.71 million tonnes, accounting for 88.6% of annual self produced coal sales plan; methanol sales of 1.68 million tonnes, accounting for 112.0% of annual methanol sales plan.

II. MAIN BUSINESS DURING THE REPORTING PERIOD

(I). The Operation of Business Segments

1. Coal Business

(1) Coal Production

In 2016, the Group produced 66.74 million tonnes of raw coal, representing a decrease of 1.74 million tonnes or 2.5% as compared with that of last year. The salable coal production of the Group was 62.37 million tonnes, representing a decrease of 0.5 million tonnes or 0.8% as compared with that of last year.

The following table sets out the coal production volume of the Group for the year 2016:

	2016 (kilotonne)	2015 (kilotonne)	Increase/ Decrease (kilotonne)	Increase/ Decrease (%)
1. Raw Coal Production	66,738	68,478	-1,740	-2.54
The Company	34,694	36,791	-2,097	-5.70
Shanxi Neng Hua ¹	1,608	710	898	126.48
Heze Neng Hua	3,246	3,203	43	1.34
Ordos Neng Hua ²	4,830	2,587	2,243	86.70
Yancoal Australia	15,754	18,137	-2,384	-13.14
Yancoal International	6,606	7,050	-444	-6.30
2. Salable Coal Production	62,365	62,869	-504	-0.80
The Company	34,679	36,783	-2,104	-5.72
Shanxi Neng Hua	1,593	693	900	129.87
Heze Neng Hua	3,233	3,198	35	1.09
Ordos Neng Hua	4,830	2,580	2,250	87.21
Yancoal Australia	12,050	13,249	-1,199	-9.05
Yancoal International	5,980	6,366	-386	-6.06

Notes:

- ① Raw coal and salable coal production volume of Shanxi Neng Hua was increased as compared with that of last year. This was mainly due to the workforce replacement resulted in the small production during the same period of last year.
- ② Raw coal and salable coal production volume of Ordos Neng Hua was increased as compared with that of last year. This was mainly due to the beginning of commercial operation of Zhuanlongwan Coal Mine in the second half of 2016.

(2) Coal Prices and Marketing

Affected by national reform of supply side, production reduction policy of coal industry and other policy factors, the Group's average coal sales price increased as compared with that of last year.

In 2016, the Group sold a total of 74.97 million tonnes of coal, representing a decrease of 12.27 million tonnes or 14.1% as compared with that of 2015. The decrease of coal sales volume is mainly due to the decrease of 12.81 million tonnes or 47.3% of sales volume of traded coal as compared with that of 2015.

In 2016, the Group realized a sales income of RMB29.2954 billion, representing a decrease of RMB3.5806 billion or 10.9% as compared with that of 2015.

The following table sets out the Group's coal sales and production by coal types for the year 2016:

		2016				2015			
		Coal Production (kilotonne)	Sales Volume (kilotonne)	Sales Price (RMB/tonne)	Sales Income (RMB'000)	Coal Production (kilotonne)	Sales Volume (kilotonne)	Sales Price (RMB/tonne)	Sales Income (RMB'000)
1.	The Company	34,679	34,267	420.18	14,398,294	36,783	34,998	336.14	11,764,367
	No. 1 clean coal	97	103	567.17	58,419	156	227	480.78	108,954
	No. 2 clean coal	11,018	10,821	538.38	5,825,984	8,152	8,359	429.94	3,593,981
	No. 3 clean coal	2,487	2,451	453.30	1,111,032	3,839	3,903	388.49	1,516,473
	Lump coal	2,607	2,435	476.20	1,159,381	2,516	2,511	390.55	980,601
	Sub-total of clean coal	16,209	15,810	515.80	8,154,816	14,663	15,000	413.33	6,200,009
	Screened raw coal	17,573	17,797	347.00	6,175,428	16,571	15,558	294.36	4,579,701
	Mixed coal & Others	897	660	103.07	68,050	5,549	4,440	221.76	984,657
2.	Shanxi Neng Hua	1,593	1,590	217.65	346,034	693	748	166.12	124,277
	Screened raw coal	1,593	1,590	217.65	346,034	693	748	166.12	124,277
3.	Heze Neng Hua	3,233	2,799	555.65	1,555,150	3,198	2,424	403.24	977,494
	No. 2 clean coal	2,541	2,545	590.09	1,501,703	1,860	1,754	486.12	852,875
	Screened raw coal	494	151	256.46	38,680	221	147	216.19	31,680
	Mixed coal and Others	198	103	143.20	14,767	1,117	523	177.67	92,939
4.	Ordos Neng Hua	4,830	4,116	222.61	916,167	2,580	2,328	166.14	386,813
	Screened raw coal	4,830	4,116	222.61	916,167	2,580	2,328	166.14	386,813
5.	Yancoal Australia	12,050	12,069	399.96	4,827,260	13,249	13,276	411.47	5,462,712
	Semi-hard coking coal	505	506	508.46	257,134	950	1,134	509.20	577,320
	Semi-soft coking coal	413	425	425.15	180,844	1,176	1,404	514.01	721,462
	PCI coal	2,234	2,227	491.66	1,094,779	2,566	3,064	472.48	1,447,163
	Thermal coal	8,898	8,911	369.69	3,294,502	8,557	7,674	354.03	2,716,767
6.	Yancoal International	5,980	5,871	297.18	1,744,862	6,366	6,398	286.95	1,835,978
	Thermal coal	5,980	5,871	297.18	1,744,862	6,366	6,398	286.95	1,835,978
7.	Traded coal	-	14,257	386.31	5,507,600	-	27,070	455.29	12,324,311
8.	Total for the Group	62,365	74,969	390.77	29,295,367	62,869	87,242	376.83	32,875,951

Note: In 2016, the volume of coal production and of Yancoal Australia sales decreased as compared with that of last year, which was mainly due to: ① Because of the implementation of assets securitization, Austar Coal Mine, Ashton Coal Mine and Donaldson Mining Area were not included in the coal production and sales volume of Yancoal Australia since 1 April 2016, resulting in the decrease of the production and sales volume of semi-hard coking coal and semi-soft coking coal as compared with that of last year; ② Phase II expansion project was put into commercial operation since July 2016, resulting in the increase of thermal coal as compared with that of last year.

Factors affecting the changes in sales income of coal are analyzed in the following table:

	Impact of Changes on Coal Sales Volume (RMB'000)	Impact of Changes on the Sales Price of Coal (RMB'000)
The Company	-245,872	2,879,799
Shanxi Neng Hua	139,824	81,933
Heze Neng Hua	151,060	426,596
Ordos Neng Hua	296,923	232,431
Yancoal Australia	-496,538	-138,914
Yancoal International	-151,176	60,060
Traded Coal	-5,833,263	-983,448

The Group's coal products are mainly sold in markets such as China, Japan, South Korea and Australia.

The following table sets out the Group's coal sales by geographical regions for the year 2016:

	2016		2015	
	Sales Volume (kilotonne)	Sales Income (RMB'000)	Sales Volume (kilotonne)	Sales Income (RMB'000)
1. China	56,384	23,325,842	66,514	25,309,377
Eastern China	40,709	16,965,743	54,853	20,437,512
Southern China	5,696	2,146,675	3,336	1,430,467
Northern China	8,881	2,947,771	4,043	1,297,672
Other regions	1,098	431,815	4,282	2,290,250
2. Japan	2,705	1,060,157	2,509	1,160,556
3. South Korea	3,328	1,443,267	4,934	2,076,141
4. Australia	4,855	1,492,906	4,934	1,318,618
5. Others	7,697	2,807,033	8,351	2,864,735
6. Group Total	74,969	29,295,367	87,242	32,875,951

Most of the Group's coal products were sold to the power, metallurgy and chemical industries.

The following table sets out the Group's coal sales volume by industries for the year 2016:

	2016		2015	
	Sales Volume (kilotonne)	Sales Income (RMB'000)	Sales Volume (kilotonne)	Sales Income (RMB'000)
1. Power	29,093	9,178,809	23,497	7,684,298
2. Metallurgy	4,733	2,651,696	7,341	3,822,525
3. Chemical	10,008	4,550,614	7,990	3,628,440
4. Trade	29,986	12,510,804	42,597	15,375,419
5. Others	1,149	403,444	5,817	2,365,269
6. Group Total	74,969	29,295,367	87,242	32,875,951

(3) The Cost of Coal Sales

The Group's cost of coal sales in 2016 was RMB18.9571 billion, representing a decrease of RMB6.6537 billion or 26.0% as compared with that of 2015, which was attributed to: ① the decrease of RMB6.8412 billion of sales costs of traded coal as compared with that of 2015; ② the decrease of RMB1.1535 billion of sales costs of Yancoal Australia; ③ the increase of RMB668.8 million of sales costs of the Company.

The following table sets out the main cost of coal sales by business entities:

		Unit	2016	2015	Increase/ Decrease	Increase/ Decrease (%)
The Company	Total cost of sales	RMB'000	8,103,189	7,434,411	668,778	9.00
	Cost of sales per tonne	RMB/tonne	231.50	204.11	27.39	13.42
Shanxi Neng Hua	Total cost of sales	RMB'000	236,747	126,530	110,217	87.11
	Cost of sales per tonne	RMB/tonne	148.91	169.13	-20.22	-11.96
Heze Neng Hua	Total cost of sales	RMB'000	973,572	944,669	28,903	3.06
	Cost of sales per tonne	RMB/tonne	301.67	308.02	-6.35	-2.06
Ordos Neng Hua	Total cost of sales	RMB'000	677,847	414,129	263,718	63.68
	Cost of sales per tonne	RMB/tonne	164.70	177.88	-13.18	-7.41
Yancoal Australia	Total cost of sales	RMB'000	2,832,161	3,985,690	-1,153,529	-28.94
	Cost of sales per tonne	RMB/tonne	234.66	298.48	-63.82	-21.38
Yancoal International	Total cost of sales	RMB'000	1,325,184	1,358,315	-33,131	-2.44
	Cost of sales per tonne	RMB/tonne	225.70	212.29	13.41	6.32
Traded coal	Total cost of sales	RMB'000	5,413,912	12,255,123	-6,841,211	-55.82
	Cost of sales per tonne	RMB/tonne	379.74	452.73	-72.99	-16.12

In 2016, the total cost of coal sales of Yancoal Australia was RMB2.8322 billion, representing a decrease of RMB1.1535 billion or 28.9% as compared with that of 2015. The cost of coal sales per tonne was RMB234.66, representing a decrease of RMB63.82 or 21.4% as compared with that of 2015. This was mainly due to the sales structure changes of salable coal of Yancoal Australia in the reporting period caused by implementation of assets securitization and commercial operation of Phase II Project of Moolarben, resulting in the corresponding changes of sales cost per tonne.

(2) Railway Transportation Business

In 2016, the transportation volume of the Company's Railway Assets was 13.44 million tonnes, representing a decrease of 2.55 million tonnes or 15.9% as compared with that of 2015. Income from railway transportation services of the Company (income from transported volume settled on the basis of ex-mine prices and special purpose railway transportation fees borne by customers) was RMB287.4 million in 2016, representing a decrease of RMB39.956 million or 12.2% as compared with that of 2015. The cost of railway transportation business was RMB166.9 million, representing a decrease of RMB60.617 million or 26.6%.

(3) Coal Chemicals Business

The following table sets out the Group's methanol business for 2016:

	Methanol Production Volume (kilotonne)			Methanol Sales Volume (kilotonne)		
	2016	2015	Increase/ Decrease (%)	2016	2015	Increase/ Decrease (%)
1. Yulin Neng Hua	690	672	2.68	686	669	2.54
2. Ordos Neng Hua	951	999	-4.80	989	939	5.32

	Sales Income (RMB'000)			Sales Cost (RMB'000)		
	2016	2015	Increase/ Decrease (%)	2016	2015	Increase/ Decrease (%)
1. Yulin Neng Hua	1,022,883	951,236	7.53	836,358	730,499	14.49
2. Ordos Neng Hua	1,422,806	1,313,512	8.32	1,015,403	805,329	26.09

(4) Power Generation Business

The following table sets out the summary of the operation of the Group's power business for 2016:

		Power Generation (10,000KWh)			Power Output Dispatch (10,000KWh)		
		2016	2015	Increase/ Decrease (%)	2016	2015	Increase/ Decrease (%)
1	Hua Ju Energy	91,036	96,006	-5.18	33,228	35,230	-5.68
2	Yulin Neng Hua	29,229	26,581	9.96	2,243	1,222	83.55
3	Heze Neng Hua	157,450	141,365	11.38	144,436	131,284	10.02

		Sales Income (RMB'000)			Cost of Sales (RMB'000)		
		2016	2015	Increase/ Decrease (%)	2016	2015	Increase/ Decrease (%)
1	Hua Ju Energy	136,702	148,023	-7.65	111,846	114,866	-2.63
2	Yulin Neng Hua	4,421	2,773	59.43	6,840	3,617	89.11
3	Heze Neng Hua	431,399	447,812	-3.67	355,205	358,030	-0.79

Note: In 2016, the electricity sales volume of Yulin Neng Hua was increased as compared with that of 2015. This was mainly due to the increase of electricity online sales with the government permission.

(5) Heat Business

Hua Ju Energy generated heat energy of 1.33 million steam tonnes and sold 50 thousand steam tonnes in 2016, generating sales income of RMB12.399 million, with sales cost at RMB5.796 million.

(6) Electrical and Mechanical Equipment Manufacturing

The Group's operation of electrical and mechanical equipment manufacturing is shown as follows.

	Sales Income (RMB'000)			Cost of Sales (RMB'000)		
	2016	2015	Increase/ Decrease (%)	2016	2015	Increase/ Decrease (%)
1. Hydraulic support	409,260	30,562	1,239.11	322,408	30,076	971.98
2. Heading machine	5,592	2,205	153.61	3,758	1,235	204.29
3. Scraper/belt conveyor	171,900	241,016	-28.68	153,687	240,648	-36.14
4. Frequency converter and switch cabinet	72,348	36,135	100.22	63,094	35,641	77.03

Notes:

- ① Please see sales details of the electrical and mechanical equipment manufacturing business in *Business Highlights*.
- ② The sales income and sales costs of various products shown in above table was increased dramatically as compared with that of last year. It is mainly due to increase of sales volume of the related products as compared with that of last year.

(II) Analysis of Main Business

Analysis of changes in Consolidated Income Statement items and Consolidated Statement of Cash Flow items

	Unit: RMB'000		
	2016	2015	Increase/ Decrease (%)
Sales income	33,272,432	36,404,086	-8.60
Total sales cost	21,998,352	28,171,573	-21.91
Cost of coal transportation	1,810,092	2,078,902	-12.93
Selling, general and administrative expenses	7,788,733	5,696,704	36.72
Investment gains from associated enterprises	708,368	502,364	41.01
Investment losses from joint ventures	10,366	170,458	-93.92
Income tax	816,908	489,637	66.84
Net cash from operating activities	11,220,674	3,849,356	191.49
Cash flow from investing activities	(14,955,294)	(7,705,519)	-
Cash flow from financing activities	38,680	11,073,805	-99.65
Research and Development Expenditure	79,526	38,072	108.88

1. Analysis of Income and Cost

The causes of sales income changes: ① The sales revenue increased by RMB3.5419 billion as compared with that of 2015 due to the sales price increase of the self-produced coal; And the sales revenue decreased by RMB305.8 million as compared with that of 2015 due to the sales volume decrease of the self-produced coal; ② The sales income of the traded coal decreased by RMB6.8167 billion as compared with that of 2015.

(1) Factor Analysis of the Change in Business Income

Main Business by Industries, Products or Regions

Main business by industries

Unit: RMB'000

				Increase/ Decrease in sales income as compared with that of last year (%)	Increase/ Decrease in cost of sales as compared with that of last year (%)	Increase/ Decrease in gross profit as compared with that of last year (percentage point)	
	Sales Income	Cost of Sales	Gross Profit (%)				
1.	Coal business	29,295,367	18,957,085	35.29	-10.89	-25.98	13.19
2.	Railway transportation business	287,355	166,871	41.93	-12.21	-26.65	11.43
3.	Coal chemicals business	2,445,689	1,851,761	24.28	7.99	20.57	-7.91
4.	Power generation business	572,522	473,891	17.23	-4.36	-0.55	-3.17
5.	Heat business	12,399	5,796	53.25	-54.99	-56.59	1.72
6.	Electrical and mechanical equipment manufacturing	659,100	542,948	17.62	112.67	76.51	16.87

Main business by products

					Increase/ Decrease in gross profit as compared with that of last year (percentage point)		
	Sales Income	Cost of Sales	Gross Profit (%)	Increase/ Decrease in sales income as compared with that of last year (%)	Increase/ Decrease in cost of sales as compared with that of last year (%)		
1.	Coal business	29,295,367	18,957,085	35.29	-10.89	-25.98	13.19
2.	Railway transportation business	287,355	166,871	41.93	-12.21	-26.65	11.43
3.	Coal chemicals business	2,445,689	1,851,761	24.28	7.99	20.57	-7.91
4.	Power generation business	572,522	473,891	17.23	-4.36	-0.55	-3.17
5.	Heat business	12,399	5,796	53.25	-54.99	-56.59	1.72
6.	Electrical and mechanical equipment manufacturing	659,100	542,948	17.62	112.67	76.51	16.87

Main business by regions

					Increase/ Decrease in gross profit as compared with that of last year (percentage point)	
	Sales Income	Cost of Sales	Gross Profit (%)	Increase/ Decrease in sales income as compared with that of last year (%)	Increase/ Decrease in cost of sales as compared with that of last year (%)	
Domestic	26,469,069	17,414,887	34.21	-7.73	-21.10	11.16
Overseas	6,803,363	4,583,465	32.63	-11.85	-24.85	11.65

About main business by industries, products or regions

Please see the sales details of above business segments in the Note XVII of financial statement prepared in accordance with the CASs and Note 6 of IFRS.

(2) Production and sales

Please see the sales details of business segments in the operation of business segments of this chapter.

(3) Cost analysis

Unit: RMB'000

Component of Costs	By industry				Increase/ Decrease as compared with that of last year (%)
	2016	Percentage of	2015	Percentage of	
	(RMB'000)	total cost in 2016 (%)	(RMB'000)	total cost in 2015 (%)	
I. Costs of self-produced coal	13,543,173	100.00	13,355,668	100.00	1.40
1. materials	2,565,079	18.94	2,040,354	15.28	25.72
2. salary and employee benefits	4,224,869	31.20	4,486,531	33.59	-5.83
3. electricity	504,686	3.73	473,303	3.54	6.63
4. depreciation	1,494,082	11.03	2,096,790	15.70	-28.74
5. Subsidence expenses	1,252,552	9.25	1,300,566	9.74	-3.69
6. amortization of mining leases	613,921	4.53	719,821	5.39	-14.71
7. others	2,887,983	21.32	2,238,303	16.76	29.03
II. Costs of traded coal	5,413,912	-	12,255,123	-	-55.82
III. Total	18,957,085	-	25,610,791	-	-25.98

Cost analysis and other illustrations

- ① Causes of sales costs changes: the sales costs of coal business decreased by RMB6.6537 billion as compared with that of 2015.
- ② The sales costs of coal business accounts for 86.2% of the Group's total sales costs. Therefore the component of costs by industry in above table is only the component of sales costs of the Group's coal business during the reporting period.

(4) Major Customers and Suppliers

The sales value to the top five customers is RMB17.3752 billion, accounting for 52.2% of total annual sales; including: the sales value to related parties of the top five customers is RMB0 million, accounting for 0% of the total annual sales.

The purchase from the top five suppliers is RMB21.3081 billion, accounting for 22.8% of total annual purchases; including: the purchase from related parties of the top five supplier is RMB4.0301 billion, accounting for 4.3% of the total annual purchases.

2. Analysis of changes of expenses and others

The cause analysis of changes of sales, general and administrative expenses: ① The Group's bad-debt provision for prepayments, etc. decreased by RMB1.0525 billion as compared with that of 2015; ② With the implementation of national policies of production capacity reduction, the Company actively closed down Beisu Coal Mine in September 2016, resulting in the RMB341.3 million of increase of goodwill impairment losses.

The cause analysis of changes of investment income of associated enterprises: the investment income from associated enterprises increased by RMB222 million due to the Company's participation and investment to Qilu Bank Co., LTD..

The cause analysis of changes of investment losses of joint ventures: the losses of investment to Middle Mount Joint Venture decreased by RMB156.5 million as compared with that of 2015 during the reporting period.

The cause analysis of changes of income tax: due to the upturns of domestic coal market, the Group's operational profit increased, resulting in the RMB327.3 million of increase of income tax as compared with that of 2015.

3. Research and Development Expenditure

1) The following table sets out the Research and Development expenditure

	Unit: RMB'000
Expensing Research and Development expenditure in 2016	79,526
Capitalized Research and Development expenditure in 2016	0
Total	79,526
Percentage of total Research and Development expenditure to sales income (%)	0.24
Percentage of capitalized expenditure of Research and Development (%)	0

Other illustrations

For the purpose of promotion of optimization and upgrading of industrial structure, and focusing on the core technology breakthrough of leading industries, and adhering to the principles of "enterprise dominants, internal and external joints, industrial combination, innovation promotion, key breakthrough and leaping development", the Group developed enterprise innovation development strategies with goals of "production automation, high-end orientation of products, technology independence, management informationalization, low carbon development and operation internationalization", improving the independent innovation abilities and building an innovation-oriented enterprise.

In 2016, the Group invested RMB79.526 million for research and development and completed 85 items of scientific and technological achievements, including 28 items reaching the international advanced level, 64 items obtaining patents and 22 items winning the provincial science and technology awards.

4. Cash Flow

The cause analysis of changes of net cash from operating activities: ① the cash inflow from the operating activities was increased by RMB7.8072 billion as compared with that of 2015; ② the net interest income was decreased by RMB1.0359 billion as compared with that of 2015.

The cause analysis of changes of cash flow for investment activities: ① the external investment was increased by RMB5.4580 billion as compared with that of 2015; ② the cash from investment returns was decreased by RMB1.5524 billion as compared with that of 2015.

The cause analysis of changes of cash flow from financing activities: ① the net bank loans was decreased by RMB11.9974 billion as compared with that of 2015; ② the net proceeds from guaranteed bills was decreased by RMB770.1 million as compared with that of 2015; ③ the net perpetual capital bond was decreased by RMB5.8188 billion; ④ the contribution for non-controlling interests was increased by RMB7.8508 billion as compared with that of 2015.

Financial Resources and Utilisation

In 2016, the Group's principal financial resources was the cash flow from operations, bond issuance and bank loans. The Group has utilized its capital mainly for the payment of operating expenses, purchase of property, machinery and equipment, payment of dividends to the Shareholders, repayment of bank loans, payment of the acquisition of assets and equities.

The Group's capital expenditure for the purchase of property, machinery and equipment for the year 2016 was RMB6.3167 billion, representing a decrease of RMB3.5518 billion or 36.0% as compared with RMB9.8685 billion in 2015, which was mainly due to the decrease of capital expenditures needed after commercial operation of the Group's major coal mine construction projects.

(III) Elaboration of Significant Changes of Net Income Due To Non-core Business

During the reporting period, the Company's gains from investment is of RMB762.1 million, causing an increase of RMB768 million in current net income attributable to the Group's shareholders, representing a proportion of 46.6% over the current net income attributable to the Company's shareholders. Of which, the gains from investment in financial business is of RMB347.4 million, and the profit from investment in other associated operations or joint ventures is of RMB414.7 million.

(IV) Assets and Liabilities

1. Table for the analysis of changes in assets and liabilities items

Unit: RMB'000

Items	Closing amount of 2016	Percentage to total assets in 2016 (%)	Closing amount of 2015	Percentage to total assets in 2015 (%)	Percentage of increase/decrease in closing amount(%)	Notes
Restricted cash	1,144,800	0.78	407,711	0.29	180.79	During the reporting period, the Group received the returned environmental treatment deposit from the government, resulting in RMB944.9 million of increase of the restricted cash.
Bills and accounts receivables	9,735,859	6.60	5,976,837	4.20	62.89	During the reporting period: ① the bills receivables collected by the Group for coal trades increased by RMB3.3263 billion as compared with that of 2015; ② the Group's rolling settlement for coal trades increased by RMB420.5 million as compared with that of 2015.
AFS assets held	-	-	7,740,520	5.43	-	Through the implementation of assets securitization, Yancoal Austria sold the "AFS assets held" to Watagan Mining Pty Limited.
Projects under construction	10,929,944	7.41	16,956,592	11.90	-35.54	① Zhuanlongwan Coal Mine was put into commercial operation at the second half of 2016, resulting in the decrease by RMB9.0826 billion in projects under construction as compared with that of 2015; ② the infrastructure project investment of Yingpanhao Coal Mine, Shilawusu Coal Mine and Moolarben Coal Mine Phase II project increased, resulting in the increase by RMB2.9903 billion for projects under construction.
Security investment	2,624,003	1.78	944,410	0.66	177.85	During the reporting period, the Company's investment to Zheshang Bank resulted in the RMB1.8066 billion of increase of security investment.
Investments to associated enterprises	5,133,273	3.48	3,263,764	2.29	57.28	① Investment of RMB550 million for equity participation in Haichang Industry; ② Equity participation in Qilu Bank resulted in RMB797.7 million of increase of associated enterprise investment; ③ the Group confirmed that RMB708.4 million of income from investments to associated enterprises.

Items	Closing amount of 2016	Percentage to total assets in 2016 (%)	Closing amount of 2015	Percentage to total assets in 2015 (%)	Percentage of increase/decrease in closing amount(%)	Notes
Long-term accounts receivables with maturities of more than one year	4,667,837	3.17	247,339	0.17	1,787.22	① The Group's long-term accounts receivables to Watagan Mining Pty Ltd. was increased by RMB3.8872 billion; ② The accounts receivables for financial leasing of Zhongyin Financial Leasing Co., Ltd. was increased by RMB466.1 million.
Bills and accounts payables	5,849,019	3.97	4,207,366	2.95	39.02	① The bills payables and accounts payables of Qingdao Zhongyin Ruifeng were increased by RMB1.0678 billion and RMB125.8 million respectively; ② Bills payables of Zhongyin Financial Leasing was decreased by RMB348.8 million; ③ Accounts payables of Yancoal Australia was increased by RMB629.3 million.
Tax payables	775,051	0.53	204,418	0.14	279.15	The Group's operational profit was increased due to the upturns of domestic coal market, resulting in RMB570.6 million of increase of income tax.
Non-controlling interests	9,602,686	6.51	3,770,070	2.65	154.71	① Duanxin Beijing's investment for establishment of the joint venture with Shenzhen FTSE Xinhua resulted in the RMB4.0 billion of increase of non-controlling interests; ② Duanxin Beijing's establishment of the joint venture with China Great Wall Security Co., Ltd. resulted in RMB3.0 billion of increase of non-controlling interests; ③ Duanxin Beijing's establishment of the joint venture with Jianghai Security Co., Ltd. resulted in RMB1.0 billion of increase of non-controlling interests; ④ The Group called USD300 million perpetual bonds.

Other information

(1) Debt on equity ratio

As at 31 December 2016, the equity attributable to the equity holders of the Company and the bank loans amounted to RMB37.1387 billion and RMB65.5778 billion respectively, representing a debt to equity ratio of 176.6%.

For detailed information on borrowings, please refer to Note 39 of the financial statements prepared under IFRS.

(2) Contingent liabilities

For details of the contingent liabilities, please see Note 57 of the Financial Statements prepared under the IFRS.

2. *Major assets restrictions as at the end of reporting period*

(Prepared in accordance with the CASS)

As at the end of 2016, the Group's restrict assets amount was RMB8.0125 billion, mainly including the restricted cash and cash equivalents, and related assets mortgaged for loans. For details, please see Note VI 59 of the Financial Statements prepared under the CASS.

(V) Analysis of Industrial Business Information

1. *Main Situation of Coal Business*

Please see the sales details of business segments of 2016 in the operation of business segments of this chapter.

2. *Coal Reserves*

Please see reserve details of operating coal mines in the relative contents of Chapter 14 Appendix.

3. *Other Description*

(1) **The surrounding transportation of main mining areas**

The Group's mines located in Shandong are mainly directly connected to users through its own rail network or connected to national railways, and meanwhile connected to riverside regions or coastal regions through Beijing-Hangzhou Grand Canal or Rizhao Port. In Shanxi province, the Group transports coal to ports of Hebei, Shandong, Qinhuangdao and other regions through Yangquang-Shexian railway located around Tianchi Coal Mine, which belongs to Shanxi Neng Hua. In Inner Mongolia autonomous region, through Baotou-Shenmu railway or trucks, the Group transports the coal produced by Ordos Neng Hua to Hebei province and surrounding regions. In Inner Mongolia Autonomous Region, the Group transports the coal produced by Ordos Neng Hua to surrounding users by roads, and then, transports to Shaanxi Province, Jiangsu Province, Shandong Province and other regions through Baotou-Shenmu railway, Mengxi-Central China railway and roads.

Australian Premier Coal Mine signed a long-term supply contract with the power plant, which belongs to the Western Australia. The coal from Premier is transported to the power plant through the belt conveyor, and to other user through railway. The coal from mines of east Australia is transported to Newcastle Port, Gladstone Port and other ports through railways of third parties, then transported to Korea, Japan and other regions through sea freight.

(2) Major mine construction project

As at the disclosure date of this report, the progress of the Group's major mine construction projects is as follows:

No.	Description	Design Capacity (10,000 Tonnes/Year)	Investment Amount as at the End of the Reporting Period (RMB100 million)	Construction Progress
1	Zhuanlongwan Coal Mine	500	96.07	This project has been put into commercial operation in the second half of 2016.
2	Shilawusu Coal Mine	1,000	32.16	This project has been approved by National Development and Reform Commission. It was put into commercial operation in January 2017.
3	Yingpanhao Coal Mine	1,200	38.76	This project has been included in the first new coal mine projects of decrement replacement approved by the National Energy Administration. Its commercial operation is expected in 2017.
4	Wanfu Coal Mine	180	14.34	This project has been approved by the National Development and Reform Commission. Its pilot production is expected in end of 2018.
5	Phase II of Moolarben Coal Mine	1,300	AUD231 million	The open cut was put into commercial operation in July 2016.
Total		4,180	192.92	-

Notes:

- ① Through Phase II Project of Moolarben Coal Mine including a new open cut and an underground mine, the new designed raw coal production capacity annually was increased by 13 million tonnes totally.
- ② In above table, the exchange rate of Australian Dollars against Renminbi is 1:5.0171.

(VI) Analysis of Investment

(All financial data contained in this section is calculated under CASs)

1. Overall Analysis of the Group's External Equity Investment

(1) Significant equity investment

In 2016, the total external equity investments made by the Group amounted to RMB8.5423 billion, representing an increase of RMB4.0724 billion or 91.1% as compared with that of 2015. The relevant information of projects invested is set out as follows:

No.	Projects of External Equity Investment	Total Investment Amount of Projects (RMB 100 million)	The Group's Investment Amount (RMB 100 million)	Name of the Invested Company	Main Business	The Company's Equity Interest in the Invested Company (%)
1	Equity participation in Haichang Industry	5.500	5.500	Dongguan Haichang Industry Co., Ltd.	Port service	20.89
2	Increasing registered capital of Duanxin Beijing	25.000	22.500	Duanxin Investment Holding (Beijing) Co., Ltd.	Project investments, investment management, etc.	100.00
3	Establishment of Duanxin Investment Holding (Shenzhen) Co., Ltd.	100.000	11.000	Duanxin Investment Holding (Shenzhen) Co., Ltd.	Equity investments, entrusted assets management, investment management	100.00
4	Increase the registered capital of Zhongyin Financial Leasing	50.000	37.350	Zhongyin Financial Leasing Co., Ltd.	Financial leasing	99.15
5	Increasing registered capital of Donghua Heavy Industry Company	9.073	9.073	Yankuang Donghua Heavy Industry Co., Ltd	Production and sales of mining equipments, electromechanical equipments and rubber products, etc.	100.00
	Total	189.573	85.423	-	-	-

Notes:

- ① The external equity investments in the above-mentioned table is funded by the group's own fund reserve and none of them is involved in lawsuits.
- ② The Group directly and indirectly holds 99.15% equity of Zhongyin Financial Leasing Co., Ltd..

(2) Major non-equity investment

Not applicable.

(3) Financial assets measured at fair value

- 1) Shares of other listed companies held by the Company as at the end of the reporting period

Unit: RMB'000

Stock Code	Stock Abbreviation	Cost of Initial Investment	Percentage of Ownership (%)	Book Value at the End of the Reporting Period	Gains or Losses During the Reporting Period	Changes in Shareholders' Equity During the Reporting Period	Accounting Items
601008	Lianyungang	1,760	0.0089	495	0	-87	Available-for-sale financial asset
02016	Zheshang Bank	1,832,131	2.86	1,806,566	58,477	39,303	Available-for-sale financial asset
Total		1,833,891	-	1,807,061	58,477	39,216	-

Note: "Gains or losses during the reporting period" in the abovementioned table refers to the impact of related investment on net gains in the consolidated statement of the Group during the reporting period.

Stock sources of Lianyungang's shares:

Acquisition of promoter shares when this company was set up and stock dividend obtained in 2007 and 2011. In 2015, the Company reduced shares of Lianyungang by 1,703,699 by instalments.

Stock sources of Zheshang Bank:

In 2016, the Group subscribed 400 million H shares of this company's IPO in Hong Kong Stock Exchange, and purchased 113.897 million H shares in the way of commodity transaction.

- 2) Equity interests in non-listed financial corporations held by the Company at the end of the reporting period

Unit: RMB'000

Corporations	Initial Investment	Percentage of Share Capital at the End of the Reporting Period (%)	Book Value at the End of the Reporting Period	Gains or Losses During the Reporting Period	Changes in Shareholders' Equity During the Reporting Period	Accounting Items	Source of Shares
Yankuang Group Finance Company Limited	250,000	25	394,855	37,445	37,445	Long-term equity investment	Investment to set up
Shandong Zoucheng Jianxin Rural Bank	9,000	9	9,571	571	571	Long-term equity investment	Investment to set up
Qilu Bank Co., Ltd.	782,948	8.67	934,776	221,957	181,373	Long-term equity investment	Share purchase
Shanghai CIFCO Futures Co., Ltd.	264,560	33.33	294,620	22,709	22,709	Long-term equity investment	Share purchase
Total	1,306,508	-	1,633,822	282,682	242,098	-	-

Note: "Gains or losses during the reporting period" in the abovementioned table refers to the impact of related investment on net gains in the consolidated statement of the Group during the reporting period.

- 3) Financial assets measured in fair value held by the Company at the end of the reporting period

At the end of reporting period, the Group subscribed FTSE/Xinhua China Funds Duanxin No.1 with RMB650 million of initial investment, RMB679.9 million of the closing carrying value, RMB22.389 million of the owners' equity changes in the reporting period, and accounting subject of "AFS financial assets".

(VII) Disposal of Material Assets and Equity

Not applicable.

(VIII) Analysis of Major Controlled Companies and Joint Stock Companies**1. Major controlled companies**

In 2016, the controlled companies having rather significant impacts on the current net income attributable to the Group's shareholders are as follows:

Unit: RMB'000

Name of company	Total assets	31 December 2016	
		Net assets	Net profit for the year 2016
Heze Neng Hua	6,964,416	4,133,954	509,462
Yancoal Australia	36,528,407	6,319,441	-1,089,370
Huaju Energy	1,646,672	1,457,475	150,037
Zhongyin Financial Leasing	7,565,194	5,954,606	152,680

Note: For detailed information on the main business, registered capital and main financial data of the Group's controlled subsidiaries, please refer to Note 58 to the financial statements prepared under IFRS.

2. Major stock-participating companies

For detailed information on the main business, registered capital and main financial data of the Group's stock-participating companies, please refer to Note VIII to the financial statements prepared under CASs.

(IX) Changes in Variable Interest Entities Controlled by the Company

Watagan Company is a SPV company incorporated by Yancoal Australia for purpose of issuing company bond overseas in US dollars. It owns and operates three coalmines in New South Wales Australia and raised fund of USD0.95 billion by issuing company bond on 31 March 2016. For issuance details of above dollar bonds, please see Entities controlled by the Company in annual report 2015.

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY**(I) Industry Competition Pattern and Development Tendency**

For details of industry competition pattern and development tendency of the Company, please refer to the section headed "Chapter 4 Chairman's Statement".

(II) Development Strategy and Operation Plan of the Company

As for the development strategy and operation plan, please refer to the section headed "Chapter 4 Chairman's Statement".

(III) Operating Plan

For details of operation plan of the Company, please refer to the section headed “Chapter 4 Chairman’s Statement”.

Relevant operation plan cannot be regarded as the Company’s performance commitments to investors. Investors please keep enough risk awareness and understand the difference between operation plan and performance commitments.

(IV) Capital Expenditure Plan

The Group’s capital expenditure for the year 2017 is expected to be RMB7.7216 billion, which is mainly sourced from the Group’s internal resources, bank loans and bond issue.

The capital expenditure for the year 2016 and the estimated capital expenditure for the year 2017 of the Group are set out in the following table:

	2017 (Estimated) (RMB’000)	2016 (RMB’000)	Capital Expenditure for Main Project for 2017
The Company	777,280	1,365,055	Maintaining simple reproduction, safety and technical input
Shanxi Neng Hua	53,710	82,033	Maintaining simple reproduction, safety and technical input
Yulin Neng Hua	256,500	33,234	Maintaining simple reproduction, investment for Phase II project construction of Yulin Methanol Plant
Heze Neng Hua	819,070	689,791	Construction investment for Wanfu Coal Mine
Hua Ju Energy	46,880	87,394	Maintaining simple reproduction
Ordos Neng Hua	1,957,570	1,767,189	Construction investment for Zhuanlongwan Coal Mine, Yingpanhao Coal Mine and Phase II project of Ordos Neng Hua
Haosheng Company	1,250,760	791,435	Construction investment for Shilawusu Coal Mine and CHPP, coal transporting trestle
Donghua Heavy Industry	860,580	545,672	Maintaining simple reproduction, investment for technical revamp
Yancoal Australia	1,276,929	748,142	Capital expenditure of Moolarben Coal Mine
Yancoal International	422,321	198,435	Capital expenditure for production and operation and exploration project of potash resources in Canada
Shandong Duanxin Supply Chain Management Co., Ltd.	0	8,329	-
Total	7,721,600	6,316,709	-

The Group possesses relatively sufficient cash and financing facilities, which are expected to meet the operation and development requirements.

(V) Possible Risks

Risks of safety management

Although the safety management level of the Group is much higher than the industrial level, due to the Company's engagement of coal, coal chemicals, power and other high-risk industries, the uncertainty factors influencing the safe production are more complicated, and the safe production is vital for the Group's sustainable and steady development.

Solutions: strengthen safety systems and regulations, set up safety management systems with perfect systems and powerful execution, improve safety execution abilities; regarding to technical problems influencing and restricting safe production, strengthen technical researches and scientific-technical problem tackling, increase the system safety level; establish accident and case warning education platforms, strengthen safety education and training, improve safety awareness and skills; strengthen comprehensive governance of key areas, prevent the happening of major accidents; strengthen the professional construction of safety supervision teams, enhance the safety supervision and inspections and strengthen the safety accountability.

Risks of product trade

Trading business is an important supplement to the Group's entity industries. With the continuous expanding of the Group's diversified trade solutions and the significant growth of trade volume, trade risks may occur easily, possibly resulting in negative effects on the Company's performance.

Solutions: establish a complete "Duel parallel controls" mode of business and risk controls, scientifically avoid trade risks; with the advantages of the developed areas, set up the coordinated development platform of regional trades, realize the most optimized resources configurations; timely introduce high-end trade talents, establish the professional trade teams and promote the professionalized and coordinative development of the trade industry.

Risks of accounts receivable

In recent years, the Group's accounts receivable amount has been always rising, increasing the difficulties of accounts receivable collection, increasing the possibilities of uncollectibles.

Solutions: strictly review the coal customer credits, dynamically grasp the customers' operating conditions and financial situations, timely adjust of the customers' credit lines and credit periods, increase the corresponding guarantee ratios and mortgage ratios of the credit customers and effectively control the new occurrences of accounts receivable; strictly implement debts responsibilities, develop door-to-door debts measures, lock the risk exposures and strengthen the accounts receivable collections by means of law; strengthen the source prevention and controls of accounts receivable risks, improve the dynamic supervision mechanism and effectively reduce the accounts receivable risks.

(VI) Others

1. *The Impact of Exchange Rate Changes*

The impacts of exchange rate fluctuations on the Group were mainly reflected in:

- (1) The overseas coal sales income as the overseas coal sales of the Group are denominated in U.S. dollars and Australian dollars;
- (2) The exchange gains and losses of the foreign currency deposits and borrowings;
- (3) The cost of imported equipment and accessories of the Group.

Affected by the changes in foreign exchange rates, the Group had exchange loss of RMB341.9 million during the reporting period. For details of the exchange gain and loss, please see Note 9 to the financial statements prepared under IFRS.

To manage foreign currency risks arising from the expected revenue, Yancoal Australia has entered into foreign exchange hedging contracts with the bank. For details of the foreign exchange hedging contracts, please see Note 40 to the financial statements prepared under IFRS or Note VI.61 to the financial statements prepared under the CASs.

To hedge the exchange losses of USD loan arising from the fluctuation of foreign exchange, Yancoal Australia and Yancoal International have taken foreign exchange hedging measures to such debt on the accounting basis, which effectively mitigated the impact of exchange loss on the current profit.

Save as disclosed above, the Group did not take foreign exchange hedging measures on other foreign currencies and did not plan to further hedge the exchange rate between RMB and foreign currencies.

2. *Taxation*

In 2016, the Company and all its subsidiaries incorporated in the PRC are subject to an income tax rate of 25% on their taxable profits. Yancoal Australia and Yancoal International are subject to a tax rate of 30% and 16.5%, respectively on their taxable profits.

3. *Employees' Pension Scheme*

For details of the employees' pension scheme of the Company, please refer to Note 53 to the consolidated financial statements herein, which are prepared in accordance with the IFRS.

4. *Housing Scheme*

According to the *Provision of Labor and Services Agreement* (which is referred to in the section headed “IV. Major Connected/Related Transaction” under “Chapter 6 Significant Events”), Yankuang Group is responsible for providing dormitories to its own employees and the employees of the Group. The Group and Yankuang Group share the sundry expenses relating to the provision of such dormitories on a pro-rata basis based on their respective numbers of employees and the amount negotiated by the parties. Such expenses amounted to RMB137.2 million and RMB137.2 million in 2016 and 2015, respectively.

Since 2002, the Group has been paying to its employees a housing allowance for the purchase of employee residences, which is based on a fixed percentage of the employees' wages. In 2016, the employees' housing allowances paid by the Group amounted to RMB402.9 million in total.

For details of the housing scheme, please refer to Note 54 to the consolidated financial statements herein, which are prepared in accordance with the IFRS.

5. *Donation*

The Group made donations in an aggregate amount of RMB1.543 million in 2016.

IV. REASONS FOR FAILURE TO MAKE DISCLOSURE IN PURSUANT TO THE RELEVANT RULES

Not applicable.

I. RESERVES, PROFIT DISTRIBUTION OR CAPITAL RESERVES TRANSFERRED TO SHARE CAPITAL PLAN

(I) Formulation, Implementation or Adjustment of Cash Dividend Policy

The cash dividend policy was specified in the Articles as follows: The calculation of profit after tax of the Company for an accounting year was based on the financial statements prepared in accordance with the CASs, IFRS or overseas accounting standard. The Company will choose the lowest profit after tax under the above accounting policies when paying the dividend. The dividends shall be paid in the form of cash, shares or a combination of cash and shares. In the event that conditions for distribution of cash dividend are met, cash dividend shall be distributed prior to share dividend. On the condition that the Company distributes profit after tax of that year, 10% of profit shall be withdrawn to be recognized as statutory reserve. The Company can not withdraw statutory reserve any longer when the accumulated statutory reserve reaches more than 50% of the registered capital of the Company. Final dividends shall be paid once a year. The shareholders shall by way of an ordinary resolution authorize the board of directors to declare and pay final dividends. The Company may distribute interim cash dividends upon obtaining approval from the board of directors and the shareholders at general meeting. There should at least be a 6-month accounting period interval when the Company distributes cash dividends. On the premise of securing the Company's sustainable development and provided that the Company has recorded a profit in a particular year and that its accumulated undistributed profit is positive, the Company's cash dividends shall account for approximately 35% of the Company's net profit after statutory reserve for that particular year, unless the Company has scheduled significant investments or significant cash requirements. On the premises that the Company's operation is in good condition and that the Board considers the distribution of share dividends is beneficial to the overall interest of all shareholders of the Company due to a mismatch between the Company's stock price and its scale of share capital and in other necessary circumstances, the Company may distribute dividends in the form of shares.

The 2015 annual general meeting of the Company held on 3 June 2016 approved the Company's dividend distribution plan, which allowed the Company to distribute 2015 cash dividends of RMB49.12 million (tax inclusive) to the Shareholders, i.e., RMB0.01 per share (tax inclusive). As at the date of this annual report, the 2015 cash dividends have been distributed to the Shareholders.

The profit distribution plan of the Company, in pursuant with the Articles, is formulated after debriefing and fully considering the opinions and demands of the Shareholders of the Company, especially Shareholders holding minor shares, and is executed upon approval by the independent Directors (independent non-executive Directors stipulated in the Hong Kong Listing Rules), the Board meeting and the general meeting.

(II) Cash Dividends Scheme or Plan, Capital Reserve Transferred to Share Capital Scheme or Proposal for the Previous Three Years (including the reporting period)

Unit: RMB100 million

Year for Cash Dividend	Amount of share dividends for every 10 shares (shares)	Amount of Cash Dividends per Every 10 Shares (RMB) (tax inclusive)	Shares Transferred for Every 10 Shares (shares)	Amount of Cash Dividend (tax inclusive)	Net profit Attributable to the Equity Holders of the Company in the Consolidated Statements for the Cash Dividend Distribution Year	Percentage of Net Profit (%) Attributable to the Equity Holders of the Company in the Consolidated Statements
2016	0	1.20	0	5.894	16.494	35.73
2015	0	0.10	0	0.491	1.645	29.85
2014	0	0.20	0	0.984	7.662	12.84

Note: The calculation of the above-mentioned “net profit attributable to the equity holders of the Company in the consolidated statements for the cash dividend distribution year” is the audited net profit for the year calculated in accordance with the IFRS.

1. Profit Distribution Plan for 2016

(Prepared in accordance with IFRS)

Unit: RMB'000

Undistributed profits at the beginning of the year	30,193,566
Add: Net profit attributable to the shareholders of the Company	1,649,391
Less: Withdrawal of statutory surplus reserve	0
Ordinary shares dividends payable	49,324
Undistributed profits at the end of the year	31,793,633
of which: cash dividends proposed after the balance sheet date	589,442

In return for the long-term support of the Shareholders, the Board proposed to declare a cash dividend payable of RMB589.4 million (tax inclusive), being RMB0.12 per share (tax inclusive) for the year 2016. This dividend distribution plan shall be submitted to the Shareholders for consideration at the 2016 annual general meeting and then distributed to all the Shareholders within two months (if approved). The cash dividend for the year 2016 is expected to be distributed before 31 August 2017.

According to the Articles, cash dividends shall be calculated and announced in RMB.

2. Reserves

For details of the changes of reserves for 2016 and distributable reserves as at 31 December 2016, please refer to Note 43 to the consolidated financial statements herein, which are prepared in accordance with the IFRS.

(III) The Recognition of the Repurchased Shares Offered in Cash Into the Cash Dividends

Not applicable.

(IV) The Company Should Disclose the Reasons, Purpose and Utilization Plan for Undistributed Profits in Details in the Case of the Profitable Status and Positive Profit Distributed by the Parent Company for Ordinary Shareholders, but Without Distribution Scheme for Ordinary Share Cash Profit During the Reporting Period

Not applicable.

II. PERFORMANCE OF THE UNDERTAKINGS

(I) Undertakings of the Actual Controller of the Company, the Shareholders, the Related Parties, the Buyer, the Company and Other Related Parties During the Reporting Period or Extended to the Reporting Period.

Background	Type	Undertaker	Undertakings	Undertaking Date and Deadline for Performance	Have Performance Deadline or Not	Perform Timely and Strictly or Not
Undertakings Related to IPO	Resolve horizontal competition	Yankuang Group	Avoidance of horizontal competition: Yankuang Group and the Company entered into the Restructuring Agreement when the Company was carrying out the restructure in 1997, pursuant to which Yankuang Group undertook that it would take various effective measures to avoid horizontal competition with the Company.	Year 1997 Long-term effective	No	Yes
Undertakings Related to Refinancing	Other	Yankuang Group	The compensational measures to the diluted prompt returns due to the Company's non-public issuance of A Shares: 1) Undertakes neither excessive intervention to the Company's operation and management activities nor encroach on the Company's interests; 2) From the date of the undertaking made to the date of completion of non-public issuance, if CSRC publishes new regulations about compensational in return measures and other undertakings, and the above undertakings cannot meet the such regulations of CSRC, then supplementary undertakings shall be made as per the new regulations of CSRC.	16 June 2016/ 16 June 2016 to 10 March 2017	Yes	Yes

Background	Type	Undertaker	Undertakings	Undertaking Date and Deadline for Performance	Have Performance Deadline or Not	Perform Timely and Strictly or Not
	Other	Directors and Senior Management of the Company	The compensational measures to the diluted prompt returns due to the Company's non-public issuance of A Shares: 1) Undertakes not to convey interests to other unit or individuals free of charge or under unfair conditions, or to damage the Company's interests in other ways; 2) Undertakes to constraint the position-related consumptions; 3) Undertakes not to use the Company's assets for investment, consumption activities which has nothing to do with their duty performance in the Company; 4) Undertakes that the salary system set by the Board of Directors or Remuneration Committee is linked up with the Company's executions of compensational return; 5) Undertakes to link up the power exercising conditions of equity incentive set by the Company with the implementation of the Company's compensational return, if the Company implements the share incentive in future; 6) Undertakes to perform effectively the relative compensational return set by the Company and any undertakings made by individuals for compensational return. Undertakes to be liable to the compensations to the Company or investors, if in violation of such undertakings or damage made to the Company or investors; 7) From date of the undertaking made to the date of the completion of non-public issuance, if CSRC publishes new regulations about compensational return measures and other undertakings, and the above undertakings cannot meet the such regulations of CSRC, then supplementary undertakings shall be made as per the new regulations of CSRC.	6 June 2016/ 16 June 2016 to 10 March 2017	Yes	Yes
	Other	Yanzhou Coal Co., Ltd.	Undertakes no more planning of non-public A Shares within one month after the approval of decision announcement of the board of directors on termination of non-public A share stocks.	31 December 2016/ 31 December 2016 to 31 January 2017	Yes	Yes
Other Undertakings to Minority Shareholders of the Company	Other	Yankuang Group	Transfer of the mining right of Wanfu Coal Mine: In 2005, the Company acquired equity interests of HezeNeng Hua held by Yankuang Group. At that time, Yankuang Group made such undertaking that: the Company had the right to acquire the mining right of Wanfu Coal Mine once obtaining such mining right within 12 months.	Year 2005/ Within 12 months when Yankuang Group obtained the mining right of Wanfu Coal Mine	Yes	Yes
	Other	Yankuang Group	Not reducing shareholding in the Company: the Controlling Shareholder of the Company, Yankuang Group, undertook that it would not reduce its shareholding in the Company within 6 months.	10 July 2015, 10 July 2015 to 10 January 2016	Yes	Yes

Chapter 06 Significant Events

Background	Type	Undertaker	Undertakings	Undertaking Date and Deadline for Performance	Have Performance Deadline or Not	Perform Timely and Strictly or Not
	Other	Directors, Supervisors, and senior management of the Company	<p>Not reducing shareholding in the Company:</p> <p>The Directors, Supervisors and senior management of the Company undertook that they would not reduce their respective shareholding in the Company during the period of their increase holding of A Shares of the Company and within 6 months after completion of further increase.</p>	<p>10 July 2015/</p> <p>During the period of their increase holding of A Shares of the Company and within 6 months after completion of further increase.</p>	Yes	Yes

Note:

1. On the first extraordinary general meeting, the first class meeting of holders of A shares and H shares of 2017 held on March 10, 2017, it was approved to terminate non-public A Shares of the Company. Therefore, Yankuang Group, Directors and senior management of the Company have fulfilled their undertakings on the compensational measures to the diluted prompt returns due to the Company's non-public issuance of A Shares.
2. On the annual general meeting of 2015 held on 3 June, 2016, it was approved Heze Neng Hua to acquire the mining lease of Wanfu Coal Mine held by Yankuang Group with a consideration of RMB1.25 billion.

(II) During the Reporting Period, There Was No Undertaking to Earnings Forecast Matter of Assets and Projects in the Company.

Not applicable

III. FUNDS APPROPRIATIONS AND CLEARING PROGRESS

Not applicable

IV. EXPLANATION ON “NON-STANDARD AUDITOR’S REPORTS” OF CERTIFIED PUBLIC ACCOUNTANTS BY THE BOARD

Not applicable.

V. ANALYSIS AND EXPLANATION ON ACCOUNTING POLICIES, ACCOUNTING ESTIMATE CHANGES OR CAUSES AND EFFECTS OF CORRECTION OF SIGNIFICANT ACCOUNTING ERRORS.

Not applicable.

VI. APPOINTMENT AND DISMISSAL OF AUDITORS

	Original Appointment	Current Appointment	Unit: RMB10 thousand
Name of the Certified Public Accountants (Domestic)	-	Shine Wing Certified Public Accountants (special general partnership)	
Remuneration of the Certified Public Accountants (Domestic)	-	415	
Audit Service Term of the Certified Public Accountants (Domestic)	-	Since June, 2008	
Name of the Certified Public Accountants (Overseas)	Hong Kong: Grant Thornton Hong Kong Limited	Hong Kong: SHINEWING (HK) CPA Limited Certified Public Accountants	
	-	U.S.: Shine Wing Certified Public Accountants (special general partnership)	
Remuneration of the Certified Public Accountants (Overseas)	Hong Kong: 182.5	Hong Kong: 160	
	U.S.: 92.5	U.S.: 350	
Audit Service Term of the Certified Public Accountants (Overseas)	Hong Kong: From December 2010 to March 2017	Hong Kong: Since March, 2017	
	-	U.S. Since December 2010	
	Name	Remuneration	
Internal Control Audit	Shine Wing Certified Public Accountants (special general partnership)	50	
	Grant Thornton (special general partnership)	350	

The explanation on the appointment and dismissal of auditors

As approved at the 2015 annual general meeting on 3 June 2016, the Company continually engaged Shine Wing Certified Public Accountants (special general partnership), Grant Thornton (including Grant Thornton (special general partnership) and Grant Thornton Hong Kong Limited) (overseas, HKCPA) hereinafter referred to as “Grant Thornton”) as its domestic and overseas auditors, respectively, with an engagement from the end of 2015 annual general meeting to the end of 2016 annual general meeting, responsible for the financial statements auditing, audit and internal control audit evaluation of the Company.

The Company was approved to pay RMB8.3 million for the audit services of both domestic and overseas of 2016, including RMB4.65 million for domestic service and RMB3.65 million for overseas service (excluding Australia). The Company was responsible for auditors’ on-site audit accommodation and meal expenses, but not for any other related expenses, such as travelling expenses.

The board was authorized to decide the payment for increased follow-up auditing, internal control audit and other services resulted by the Company’s new subsidiaries or changes of regulations.

The explanation on the change of auditors during the auditing period

Based on the comprehensive consideration of the time cost and internal resources factors, Grant Thornton Hong Kong Limited put forward the resignation to the Company on 23 January 2017 that it no longer acted as the certified public accountants for the Company's Hong Kong business.

As approved at the first 2017 extraordinary general meeting held on 10 March 2017, the Company engaged Shine Wing (Hong Kong) Certified Public Accountants as its Hong Kong auditor, with an engagement from the end of first 2017 extraordinary general meeting to the end of 2016 annual general meeting.

The Company was approved to adjust the payment for the international audit services of 2016 to RMB8.6 million, including RMB1.6 million for Hong Kong audit service provided by Shine Wing (Hong Kong) Certified Public Accountants and RMB7 million for U.S. audit service provided by Grant Thornton (special general partnership). The Company was responsible for auditors' on-site audit accommodation and meal expenses, but not for any other related expenses, such as travelling expenses.

VII. CIRCUMSTANCES ON FACING THE RISK OF SUSPENSION OF LISTING

Not applicable

VIII. CIRCUMSTANCES AND REASONS ON FACING THE TERMINATION OF LISTING

Not applicable

IX. RELATED MATTERS ON BANKRUPTCY AND REORGANIZATION

Not applicable

X. SIGNIFICANT LITIGATION AND ARBITRATION EVENTS

(I) Litigation and Arbitration Events Disclosed in the Extraordinary Announcements and with No Subsequent Progress

Item Overview	Query index
<p>The litigation on Coal Sales Contract between Zhongxin Daxie Fuel Co., Ltd. and the Company</p> <p>Zhongxin Daxie Fuel Co., Ltd. (“Zhongxin Daxie”), as the plaintiff, brought a civil litigation against the Company, as the defendant, at the Shandong Provincial Higher People’s Court in September 2013, alleging a failure by the Company to perform its delivery obligations under a coal sales contract between the parties. Zhongxin Daxie sued for the termination of the coal sales contract, return of payments for goods and damage in an amount of RMB163.6 million. It was the judgment of the Shandong Provincial Higher People’s Court at first instance that: Zhongxin Daxie’s appeal was rejected and the litigation fee of RMB0.8602 million shall be borne by Zhongxin Daxie, as the plaintiff of the litigation. On 30 June 2014, the Company received the Notice of the Decision on Appeal from the Supreme People’s Court of the People’s Republic of China (the “Supreme Court”), the Supreme Court has decided to accept Zhongxin Daxie’s appeal of judgment of the first instance of the litigation. In January 2016, the Company received the Paper of Civil Judgment from the Supreme Court. It was the judgment of the Supreme Court at second instance that: Zhongxin Daxie’s appeal was rejected and the first instance judgment was upheld. Litigation fee of the first instance shall be enforced in accordance with the original judgment and litigation fee of the second instance of RMB0.8602 million shall be borne by Zhongxin Daxie. The judgment is final. In August 2016, the Company received Notice of the Decision on Appeal from the Supreme Court; the Supreme Court has decided to accept Zhongxin Daxie’s retrial application, and the case filing investigation shall be implemented. On 2 December 2016, Supreme People’s Court issued a civil verdict, rejecting Zhongxindaxie’s application for retrial.</p>	<p>For details, please refer to the announcements in relation to the update on this litigation and the result on this litigation dated 29 April 2014, 30 June 2014, 22 January 2016 and 24 February 2017, respectively. The above announcements were also posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company and/or China Securities Journal and Shanghai Securities News.</p>

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Regarding to this case, the Supreme People's Court has made the final judgment, with the retrial application of Zhongxindaxie rejected. The Company is not liable in the Litigation. The Litigation does not have any impact on the current and future profit of the Company.

The bills dispute between Jinan Branch of China Minsheng Banking Corp. Ltd. ("Minsheng Bank") and Yanzhou Coal

From May to August 2015, the Company has received 4 pleadings from Minsheng Bank, who brought a civil litigation against the Company at the Court. Minsheng Bank brought a civil litigation against the Company to Jinan Municipal Intermediate People's Court and Jinan Central District Court for an excuse of the Company's violation of Bills Discounted Agreement. The Company was sued to pay RMB149 million and corresponding interests stipulated in the Bills Discounted Agreement.

1. The case involving a principal amount of RMB29.439 million

It was the judgement of Jinan Municipal Intermediate People's Court at the first instance dated 11 January 2016 that: as per the Bills Discounted Agreement, the Company should pay RMB29.439 million and corresponding interests to Minsheng Bank. In February 2016, the Company instituted an appeal to the Higher People's Court of Shandong Province with regards to the case. On 12 June 2016, it was the judgment of Shandong Provincial Higher People's Court at second instance that: the appeal was rejected and the first instance judgment was upheld. On 25 July 2016, in accordance with the execution notice from the Jinan Municipal Intermediate People's Court, the Company paid RMB31.6919 million totally to the designated bank account, and the payment included principal, interest, litigation preservation and execution fee related to the case.

For details, please refer to the announcements in relation to the update on the arbitration dated 23 March 2016, 27 June 2016, 8 July 2016 and 26 July 2016. The above announcements were also posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company and/or China Securities Journal and Shanghai Securities News.

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2. **The cases involving principal amounts of RMB49.9998 million and RMB50 million**

Regarding to the two cases, it was the judgement of Jinan Municipal Intermediate People's Court at the first instance dated 12 January 2016 that: according to the stipulations of the Bills Discounted Agreement, the Company should pay RMB49.9998 million and corresponding interests, RMB50 million and corresponding interests, respectively. Regarding to the two cases, the Company has appealed to the Shandong Provincial Higher People's Court in February 2016 respectively. On 27 June 2016, it was the judgment of Shandong Provincial Higher People's Court at second instance that: the appeal was rejected and the first instance judgment was upheld. In September 2016, as per the execution notice from the Jinan Municipal Intermediate People's Court, the Company paid RMB111.4978 million totally, including principal, interest, litigation preservation and execution fee related to the case.

In spite of the completed judgments and performance of execution procedures for above three cases, the Company has filed retrial application to the Supreme People's Court respectively to safeguard the legitimate rights and interests of Company and its Shareholders. In September 2016, the Supreme People's Court rejected the company's applications for retrial.

The Company received the retrial acceptance notice for above three cases, and the Supreme People's Court has decided to accept the cases and implement the case filing investigations. In December 2016, the Company applied for counter appeals of above three cases to the People's Procuratorate of Shandong Province, and received the acceptance.

As the above cases are in the progress of civil counterappeals, the Company is unable to accurately estimate the impact of the litigation on the current profit and future profit.

3. The case involving principal amounts of RMB20 million

On 29 June 2016, it was the judgment of Jinan Municipal Intermediate People's Court at first instance that: the Company should pay RMB20 million and corresponding interest to Minsheng Bank Jinan Branch; the other appeal from Minsheng Bank Jinan Branch was rejected; RMB145 thousand of the litigation fee and RMB5,000 of property preservation fee shall be borne by Yanzhou Coal Co., Ltd.. On 14 July 2016, the Company instituted an appeal to Jinan Municipal Intermediate People's Court based on the case. On 28 November 2016, it was the judgment of Shandong Provincial Higher People's Court at second instance that: the appeal was rejected and the first instance judgment was upheld. On 17 January 2017, as per the Execution Notice from Jinan Municipal Intermediate People's Court, the Company executed the judgment, with total payments of RMB22.4325 million for principal, interest, litigation preservation fees, and etc. involved in the case.

In spite of the completed judgments and performance of execution procedures for the case, the Company will timely take appropriate actions and responses based on the litigation progress of other three cases to safeguard the legitimate rights and interests of Company and its Shareholders.

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<p>Series of contractual disputes on Shandong Hengfeng Power Fuel Co., Ltd. (“Hengfeng company”)</p>	<p>For details, please refer to the announcement in relation to the update on the arbitration dated 23 March 2016 and announcement in relation to the withdrawal of the lawsuit dated 6 January 2017. The above announcements were also posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company and/or China Securities Journal and Shanghai Securities News.</p>
<p>1. Financial loan contract dispute of Agricultural Bank of China Co., LTD. Jining High-Tech Zone Branch (the “Agricultural Bank”)</p> <p>On July 14, 2015, citing the financial loan contract dispute, Agricultural Bank sued the Company’s wholly owned subsidiary-Shandong Zhongyin Logistics and Trade Co., Ltd. (“Zhongyin Logistics”) at Jining Intermediate People’s Court. As Hengfeng Company made a pledge to the plaintiff through its accounts receivables of RMB61.1696 million to Zhongyin Logistics, the plaintiff requested Zhongyin Logistics to perform its payment obligations of RMB31.4398 million and corresponding interest within scope of accounts payable.</p>	
<p>2. Financial loan contract dispute of Weihai Commercial Bank Co., LTD. (“Weihai Commercial Bank”)</p> <p>On 9 October 2015, citing the financial loan contract dispute, Weihai Commercial Bank appealed to Jining Intermediate People’s Court against the Company, requiring the Company to perform payment obligations of RMB99.119 million and corresponding interest within scope of accounts payable due to that the Hengfeng Company made a pledge to the plaintiff through its accounts receivables of RMB103.42 million to Yanzhou Coal.</p>	

3. Factoring contract dispute of the Zhonghuixintong Business Factoring Company (“Zhonghuixintong”)

On November 26, 2015, citing the factoring contract dispute, Zhonghuixintong appealed to Beijing No.3 Intermediate People’s Court against the Hengfeng Company, requiring the Company to perform payment obligations of accounts payable of RMB159.9770 million and corresponding interest within scope of accounts payable due to that the Hengfeng Company had transferred its accounts payable of RMB145 million in Yanzhou Coal to Zhonghuixintong.

In accordance with the investigation and verification of the Company, Yanzhou Coal and Zhongyin Logistics never made any accounts receivable pledges. The Company believes through forges the seals of Yanzhou Coal, Hengfeng Company was suspected to fiction the enjoyments of the accounts receivables of Yanzhou Coal, and finally Hengfeng Company made pledges of accounts receivable financing business in financial institutions. Yanzhou Coal has submitted identification applications of seals authenticity to the trial court; and relative identification is under way. Given the criminal offence suspects of Hengfeng Company, Yanzhou Coal has reported to public security organs while responding to the court.

Due to the pending and appearance in the first instance of above three cases, the Company is unable to accurately estimate the impact of the litigation on the current profit and future profit.

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4. **Financial loan contract dispute of China Construction Bank Co., LTD. Jining Dongcheng Branch (“Construction Bank Jining Dongcheng Branch”)**

On November 3, 2015, citing the financial loan contract dispute, Construction Bank Jining Dongcheng Branch appealed to Jining Municipal Intermediate People’s Court against the Company, requiring the Company to perform payment obligations of RMB59.669 million and corresponding interest within scope of accounts payable due to that the Hengfeng Company made a pledge to the plaintiff through its accounts receivables of RMB79.1312 million to Yanzhou Coal. Construction Bank Jining Dongcheng Branch applied for withdrawal of the lawsuit and received the approval from Jining Municipal Intermediate People’s Court on 22 December 2016. Due to the withdrawal of the lawsuit of Construction Bank, there was no impact of the litigation on the current profit and future profit.

Sales contract dispute with Jinan Railway Coal Trade Group Co., LTD. (“Jinan Railway Trade”)

On October 29, 2015, citing the sales contract dispute, Jinan Railway Trade appealed Yanzhou Coal to Jinan Railway Transportation Court, requiring Yanzhou Coal to repay RMB19.9498 million loan. According to the investigation and verification of the Company, the Company never signed sales contract involved in the case with Jinan Railway Trade. The Company was disputed on reasons of appeal of Jinan Railway Trade.

Due to the pending and appearance in the first instance of above case, the Company is unable to accurately estimate the impact of the litigation on the current profit and future profit.

For details, please refer to the announcement in relation to the update on the arbitration dated 23 March 2016. The above announcement was also posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company and/or China Securities Journal and Shanghai Securities News.

Item Overview

Contract dispute with China Construction Bank Co., LTD. Zoucheng Branch (“Construction Bank Zoucheng Branch”)

In September, 2016, citing the contract dispute, the Company appealed Construction Bank Zoucheng Branch to Shandong Provincial Higher People’s Court, legally requiring Construction Bank Zoucheng Branch to perform the note payment of RMB418.522 million and corresponding interest. Construction Bank volunteered to negotiate with the Company for the dispute and put forward the solutions, the Company decided to reach a settlement through the way of negotiation. The Company applied to Shandong Provincial Higher People’s Court for withdrawal of lawsuit and received the approval on 26 October 2016.

Currently, the Company is negotiating with Construction Bank Zoucheng Branch on the solutions. Therefore it’s unable to accurately estimate the impact of the litigation on the current profit and future profit.

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For details, please refer to the announcement in relation to the update on the arbitration dated 30 September 2016 and announcement in relation to the withdrawal of the lawsuit dated 16 December 2016. The above announcements were also posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company and/or China Securities Journal and Shanghai Securities News.

(II) Litigation and Arbitration not disclosed in Extraordinary Announcements or with Subsequent Progress

During the reporting period:

Prosecution (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Hearing result and impact	Judgment execution
Yanzhou Coal	Jinan Railway Coal Trade Group Co., LTD ("Jinan Railway")	No	Litigation	On 16 April 2016, the Company, as the plaintiff, brought a civil litigation against Jinan Railway Trade., as the defendant, at Jining Intermediate People's Court, alleging a breach of Coal Sales Contract signed with the Company, suing Jinan Railway Trade to return loan of RMB80 million and related fund occupancy fees to the Company. On 1 January 2014, the Company entered into Coal Sales Contract with Jinan Railway Trade, according to which, Jinan Railway Trade shall provide coal to the Company. Once execution of the contract, both parties shall immediately perform their obligations. As at 31 October 2014, coals of a value amounting to RMB80 million has not yet been delivered by Jinan Railway Trade, even after several expediting notices from the Company, Jinan Railway Trade had neither delivered the coals nor repay the bill.	RMB 80 million	No	In the first instance trial	-	-
China Construction Six Engineering Division Civil Engineering Co., Ltd. ("China Construction Sixth Engineering")	Shandong Coal Trade Center Co., Ltd. ("Coal Trade Center")	No	Litigation	On 14 January 2016 China Construction Sixth Engineering, as the plaintiff, brought a civil litigation against Coal Trade Center, a controlled subsidiary of the Company, as the defendant, at Jining Intermediate Court, alleging a failure by the Company to completely perform its obligation in Contract Transfer Agreement and Engineering Construction Contract, suing Coal Trade Center to pay arrears of project fund of RMB57.457 million and related interest. On 8 July 2016 Jining Intermediate People's Court made the judgment of the first instance for this case and ruled that Coal Trade Center shall pay RMB52.8769 million of project construction fund and the relevant interest to China Construction Sixth Engineering and litigation fee, fees for conservatory measures amounting to RMB344,300 and RMB5,000, respectively, shall be borne by Coal Trade Center. On 25 August 2016 the Company brought a civil litigation at Shandong Provincial Higher Court for this case.	RMB 57.4570 million	No	In the second instance trial	On 25 January 2017, it was the judgment of Shandong Provincial Higher People's Court at second instance that the appeal was rejected and upheld. Currently the case has entered execution progress. Therefore it's unable to accurately estimate the impact of the litigation on the current profit and future profit.	The case has been in execution progress but not executed yet.

Chapter 06 Significant Events

Prosecution (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Hearing result and impact	Judgment execution
Rizhao Bank Co., Ltd. ("Rizhao Bank")	Shandong Yanmei Rizhao Port Coal Storage and Blending Co., Ltd. ("Yanmei Rizhao")	Yabin Energy Co., Ltd. ("Yabin Energy"), Shandong Lingtong International Trade Co., Ltd. ("Shandong Lingtong"), Nature Persons including Peng Haiying, Liu Ya and Sun Chunguang ("Nature Persons")	Litigation	On 24 July 2015, based on import and export bills documentary dispute, Rizhao Bank brought a civil litigation at Rizhao Municipal Intermediate People's Court and applied to rule that Rizhao Tengtu Investment Company Limited ("Tengtu Company") repay bills documentary fund of RMB37.4251 million and relevant interest, Shandong Yabin Energy Co., Ltd., Shandong Lingtong International Trade Co., Ltd., natural persons, namely: Peng Haiying, Liu Ya and Sun Chunguang shall bear the joint and several liabilities, and Shandong Yanmei Rizhao Port Coal Storage and Blending Co., Ltd. ("Rizhao Port Coal Storage and Blending"), a controlled subsidiary of the Company shall bear joint and settlement liability of Tengtu Company. On 29 December 2015, Rizhao Municipal Intermediate People's Court made the judgment of the first instance and ruled that Tengtu Company shall pay bills documentary fund of RMB37.4251 million and relevant interest, Shandong Yabin Energy Co., Ltd., Shandong Lingtong International Trade Co., Ltd., natural persons, namely: Peng Haiying, Liu Ya and Sun Chunguang shall bear the joint and several liabilities; on condition that Tengtu Company does not perform its repayment obligation according to the judgment, Rizhao Bank has the right to ask Rizhao Port Coal Storage and Blending to pay the fund under commercial acceptance bill. Rizhao Port Coal Storage and Blending made an appeal as it did not accept the judgment.	RMB 37.4251 million	No	Final judgment at second instance	On 28 June 2016, it was the judgment of Shandong Provincial Higher People's Court at second instance that the appeal was rejected and upheld. The Company will avoid damages to the lawful rights and interests through supervision and urges to Tengtu company and relative joint responsible personnel for debts clear off, appeals, repayment press and lawsuits against Tengtu company. Currently it's unable to accurately estimate the impact of the litigation on the current profit and future profit.	The case has been in execution progress but not executed yet.
Yanzhou Coal	Rizhao Shanneng International Logistics Co., Ltd. (Shanneng International)	No	Litigation	On 23 November 2016, citing Shanneng International breached the Coal Sales Contract signed between the Company and Shanneng International, the Company appealed to Shandong Provincial Rizhao City Intermediate People's Court, requiring the Court to judge that Shanneng shall repay RMB80 million of goods payment and corresponding interest for occupied funds to the Company. In January 2014, the Company signed the Coal Sales Contract with Shanneng International, stipulating that Shanneng International supplies coal to the Company. Both parties immediately performed their obligations once the contract signed. As at 31 October 2016, there was still unsupplied coal valued RMB80 million from Shanneng International. After many times of traversing from the Company, but Shanneng International has not supplied the coal, and hasn't repay to the Company either.	RMB 80 million	No	At the first instance	-	-

Chapter 06 Significant Events

Prosecution (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Hearing result and impact	Judgment execution
Yanzhou Coal	Yichang Xingfa Group Co., Ltd. (Yichang Xingfa)	No	Litigation	<p>In January 2017, citing Yichang Xingfa breached the Coal Sales Contract signed between the Company and Yichang Xingfa, the Company appealed to Shandong Provincial Jining City Intermediate People's Court, requiring the Court to judge that Yichang Xingfa shall repay RMB35.0239 million of goods payment and corresponding interest to the Company.</p> <p>In January 2015, the Company signed the Coal Sales Contract with Yichang Xingfa, stipulating that Yichang Xingfa supply coal to the Company. Both parties immediately performed their obligations once the contract signed. As at 31 December 2016, there was still unsupplied coal valued RMB35.0239 million from Yichang Xingfa. And Yichang Xingfa hasn't repay to the Company either.</p>	RMB 35.0239 million	No	At first instance	-	-
Yanzhou Coal	Shandong Dongda Energy Co., Ltd. (Dongda Energy)	No	Litigation	<p>On 16 January 2017, citing Dongda Energy breached the Coal Sales Contract signed between the Company and Dongda Energy, the Company appealed to Shandong Provincial Jining City Intermediate People's Court, requiring the Court to judge that Dongda Energy shall repay RMB49.5371 million of goods payment and corresponding delinquency interest to the Company.</p> <p>In January 2015, the Company signed the Coal Sales Contract with Dongda Energy, stipulating that Dongda Energy supply coal to the Company. Both parties immediately performed their obligations once the contract signed. As at 31 December 2016, Dongda Energy still hasn't repay the goods payment of RMB49.5371 million to the Company.</p>	RMB 49.5371 million	No	At first instance	-	-
Yanzhou Coal Mining Co., Ltd.	Xintai City Hanzhuang Economic and Trade Co., Ltd. (Hanzhuang Economic and Trade)	No	Litigation	<p>On 8 February 2017, citing Hanzhuang Economic and Trade breached the Coal Sales Contract signed between the Company and Hanzhuang Economic and Trade, the Company appealed to Shandong Provincial Jining City Intermediate People's Court, requiring the Court to judge that Hanzhuang Economic and Trade shall repay RMB45.9697 million of goods payment and corresponding interest to the Company.</p> <p>In January 2015, the Company signed the Coal Sales Contract with Hanzhuang Economic and Trade, stipulating that Hanzhuang Economic and Trade supply coal to the Company. Both parties immediately performed their obligations once the contract signed. As at 31 December 2016, there was still unsupplied coal valued RMB45.9697 million from Hanzhuang Economic and Trade. And Hanzhuang Economic and Trade hasn't repay to the Company either.</p>	RMB 45.9697 million	No	At first instance	-	-

Chapter 06 Significant Events

Prosecution (applicant)	Respondent	Jointly and severally liable party	Type	Background	Amount involved	Whether caused estimated liabilities and amount	Progress	Hearing result and impact	Judgment execution
Shandong Yanmei Rizhao Port Coal Storage and Blending Co., Ltd. (Rizhao Coal Storage and Blending)	Wuxi City Shengluda Power Fuel Co., Ltd. (Wuxi Shengluda)	Wuxi City Xinan Fuel Co., Ltd. and National persons of Pu Weizhong, etc.	Litigation	<p>On 9 November 2016, citing Wuxi Shengluda breached the Coal Sales Contract signed between Rizhao Coal Storage and Blending and Wuxi Shengluda, Rizhao Coal Storage and Blending appealed to Shandong Provincial Rizhao City Intermediate People's Court, requiring the Court to judge that Wuxi Shengluda Shall repay RMB27.8274 million of goods payment and corresponding interest.</p> <p>On 17 July 2014, Rizhao Coal Storage and Blending signed the Coal Sales Contract with Wuxi Shengluda, stipulating that Wuxi Shengluda supply coal to Rizhao Coal Storage and Blending. Both parties immediately performed their obligations once the contract signed. Based on Guarantee Agreement signed on 22 December 2014 by Rizhao Coal Storage and Blending with Wuxi Shengluda, Xinan Fuel Co., Ltd. and natural persons including Pu Weizhong, Zhu Yunfen, Pu Jingbo, Pu Weiqing and Pu Yongbao, all guarantors undertake the joint and several guarantee responsibility of the debts of Wuxi Shengluda to Rizhao Coal Storage and Blending. As at 31 October 2016, there was still unpaid RMB27.8274 million of goods payment from Wuxi Shengluda.</p>	RMB 27.8274 million	No	At first instance	-	-
Shandong Yanmei Rizhao Port Coal Storage and Blending Co., Ltd. (Rizhao Coal Storage and Blending)	Hangzhou City Fuyang Tianwang Coal Co., Ltd. (Fuyang Tianwang)	No	Litigation	<p>From 5 May 2015 to 28 December 2015, Rizhao Coal Storage and Blending signed the Coal Sales Contract with Fuyang Tianwang, stipulating that Fuyang Tianwang supply 188 thousand tonnes of coal to Rizhao Coal Storage and Blending. After the payment of Rizhao Coal Storage and Blending, Fuyang Tianwang refused to supply coal or return the goods payment. In January 2017, Rizhao Coal Storage and Blending appealed to Shandong Provincial Rizhao City Intermediate People's Court, requiring Fuyang Tianwang to repay RMB68.01 million of goods payment and corresponding interest.</p>	RMB 68.01 million	No	At first instance	-	-

XI. PUNISHMENT AND RECTIFICATION ON THE LISTED COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS, ACTUAL CONTROLLERS AND THE BUYER

During the reporting period, neither the Company nor its directors, supervisors, senior management, shareholders of the Company, actual controlling persons have been investigated by the relevant authorities, imposed any compulsory measures by judicial departments, transferred to judicial organization or prosecuted for criminal liability, audited or imposed administrative penalty by the CSRC, banned from entering into the securities market, publicly criticized or confirmed as non-fit of proper persons, or publicly reprimanded by other administrative departments or the stock exchanges.

XII. THE EXPLANATION ON THE CREDIT CONDITIONS OF THE COMPANY, SHAREHOLDERS, ACTUAL CONTROLLERS

There is no effective fails to perform the court judgments, incurred large amount of debt which is outstanding and dishonest of the Company and its shareholders and actual controllers in the reporting period.

XIII. CIRCUMSTANCE AND IMPACT OF THE SHARE INCENTIVE SCHEME AND EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER INCENTIVE SCHEME TO EMPLOYEES

Not applicable.

XIV. MAJOR CONNECTED/RELATED TRANSACTION

(The data below are calculated in accordance with the CASs)

The Group's connected/related transactions were mainly continuing connected/related transactions entered into with its Controlling Shareholder (including its subsidiaries) in respect of the mutual provisions of materials and services and other temporary connected/related transactions.

(I) Connected/related Transactions Performance in relation to Daily Operation

1. *Matters disclosed in extraordinary announcements but without subsequent progress or change*

Item Overview	Query Index
<p>Considered and approved at the thirtieth meeting of the sixth session of the Board held on 31 March 2017, the Company signed the Financial Services Agreement with Yankuang Finance Company Limited and the annual cap for such transaction for the period from 1 April 2017 to 31 December 2017.</p>	<p>For details, please refer to the announcement in relation to the thirtieth meeting of the sixth session of the Board dated 31 March 2017 and the announcement in relation to connected/related transactions. The above announcements were also posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company and/or China Securities Journal and Shanghai Securities News.</p>

2. Matters disclosed in extraordinary announcements but with subsequent progress or change

(1) Approval and execution of continuing connected/related transactions

① Continuing connected/related transaction of the supply of materials and services and insurance fund

At the 2014 second extraordinary general meeting of the Company held on 12 December 2014, five continuing connected/related transaction agreements, namely, the “Provision of Material Supply Agreement”, “Mutual Provision of Labor and Services Agreement”, “Provision of Insurance Fund Administrative Services Agreement”, “Provision of Products, Materials and Equipment Leasing Agreement” and “Provision of Electricity and Heat Agreement”, together with the annual caps for such transactions for the years of 2015 to 2017 had been approved. The main ways to determine transaction price include: state price; market price is applied when the state price is not available; actual cost pricing is applied when neither state price nor market price is available. The charge for transaction can be settled in one lump sum or by instalments. The continuing connected/related transactions made in a calendar month shall be settled in the following month, except for incomplete transactions or where the transaction amounts are in dispute.

The sales of goods and provision of services by the Group to its Controlling Shareholder amounted to RMB1,720.9 million in 2016. The goods and services provided by the Controlling Shareholder to the Group amounted to RMB1,843.6 million.

The following table sets out the continuing connected/related transactions of the supply of materials and services between the Group and the Controlling Shareholder in 2016:

	2016		2015		Increase/Decrease connected/related of transactions (%)
	Amount (RMB'000)	Percentage of Sales Income (%)	Amount (RMB'000)	Percentage of Sales Income (%)	
Sales of goods and provision of services by the Group to its Controlling Shareholder	1,720,907	1.69	1,635,188	2.37	5.24
Sales of goods and provision of services by the Controlling Shareholder to the Group	1,843,602	1.81	1,709,813	2.48	7.82

The table below shows the effect on the Group's profits from sales of coal by the Group to the Controlling Shareholder in 2016:

	Sales income (RMB'000)	Sales cost (RMB'000)	Gross profit (RMB'000)
Coal sold to the Controlling Shareholder	1,103,442	671,334	432,108

Pursuant to the Provision of Insurance Fund Administrative Services Agreement, the Controlling Shareholder shall provide free management and handling services for the Group's pension insurance fund, basic medical insurance fund, supplementary medical insurance fund, unemployment insurance fund and maternity insurance fund (the "Insurance Fund"). The actual amount of the Insurance Fund paid by the Group for the year 2016 was RMB888.7 million.

(ii) Continuing connected/related transaction of entrusted wealth management services

At the twelfth meeting of the sixth session of the board of directors held on 26 October 2015, the Company considered and approved the Investment Consulting Agreement and its supplementary agreement which was signed with Shangqi Capital Management Co., Ltd. ("Shangqi Capital") and the annual cap for such transaction for the period from 1 November 2015 to 31 October 2016, mainly pricing in reference to market price.

Pursuant to the Investment Consulting Agreement and its supplementary agreement, the Company invests RMB500 million as entrusted funds and engages Shangqi Capital to carry out low-risk hedge businesses such as spreads arbitrage, gold lease and basis trading arbitrage and other businesses such as agency delivery and cooperative hedging. And the Group and Shangqi Capital did not carry out the above businesses during this reporting period.

(iii) Continuing connected/related transaction of coal train escort services

At the sixteenth meeting of the sixth session of the board of directors held on 17 February 2016, the Company considered and approved Coal Train Escort Services Agreement, which was signed with Yankuang Security Service Co., Ltd., and the cap of service fee for a period from 1st January, 2016 to 31st December, 2017. The fee is mainly priced by use of cost plus method.

Pursuant to the Coal Train Escort Services Agreement, Yankuang Security Service Co., Ltd. provided coal train escort services to the Group. In 2016, the Group paid service fee of RMB26.669 million to Yankuang Security Service Co., Ltd.

(iv) Continuing connected/related transaction of financial services

At the seventeenth meeting of the sixth session of the board of directors held on 29 March 2016, the Company considered and approved the “Supplementary Agreement to Financial Service Agreement” (the “Supplementary Agreement”) signed between the Company and Yankuang Group Finance Company Limited (“Yankuang Finance Company”).

Pursuant to the Supplementary Agreement, the term of the Financial Service Agreement and the transaction cap is from 1st April, 2016 to 31st March 2017. The service fee pricing is mainly based on benchmark interest rate of People’s Bank of China or follow the standard prescribed by relevant regulatory authorities of China.

Pursuant to the Financial Service Agreement and the Supplementary Agreement, the Group’s balances of principal and interest of deposit and loan in Yankuang Finance Company were RMB798.6 million and RMB222.5 million respectively as at 31 December 2016.

Save as disclosed above, no other continuing connected/related transactions of financial services occurred between the Group and Yankuang Finance Company in 2016.

(v) Continuing connected/related transaction of clean energy technology

As reviewed and approved at the twenty-fifth meeting of the sixth session of the board of directors held on 11 October 2016, Yancoal Blue Sky Clean Energy Co. Ltd., a controlling subsidiary of the company, enters into a Know-How Licensing Agreement with Yankuang Technology Co. Ltd, which specified the transaction cap for a period from 11 October 2016 to 31st December 2018. The license fee is actual cost plus reasonable profit. During this reporting period, the Group and Yankuang Technology Co. Ltd did not carry any business mentioned herein.

(vi) Continuing connected/related transaction of entrusted management of coal chemical projects

As reviewed and approved at the twenty-sixth meeting of the sixth session of the board of directors held on 28 October 2016, the Company entered into “Management Agreement for Chemical Projects” with Yankuang Chemical Industry Co., Ltd, and the transaction cap was for a period from 28th October 2016 to 31st December 2017. And cost plus is adopted as the main way of pricing.

Pursuant to “Management Agreement for Chemical Projects”, Yankuang Chemical Industry Co., Ltd. provides chemical project management service to the Group. And Yankuang Chemical Industry Co., Ltd. did not provide such service to the Group yet during this reporting period.

The following table sets out the details of the annual transaction caps and actual transaction amounts for 2016 for the above continuing connected/related transactions.

No.	Type of connected/ related transaction	Agreement	Annual transaction cap for the year 2016 (RMB'000)	Actual Occurrence of Transaction for the Year 2016 (RMB'000)
1	Material and facilities provided by Yankuang Group	Provision of Materials Supply Agreement	1,544,000	699,066
2	Labor and services provided by Yankuang Group	Provision of Labor and Services Agreement	2,641,900	1,144,536
3	Insurance fund management and payment services provided by Yankuang Group (free of charge) for the Group's staff	Provision of Insurance Fund Administrative Services Agreement	1,576,905	888,718
4	Sale of products, material and equipment lease provided to Yankuang Group	Provision of Products, Material and Equipment Leasing Agreement	6,560,700	1,610,142
5	Power and heat provided to Yankuang Group	Provision of Electricity and Heat Agreement	143,700	98,935
6	Professional services including coal washing and processing, operation management of coal mines and training provided to Yankuang Group	Provision of Specific Labor and Services Agreement	414,700	11,830 ^{note}
7	Financial services provided by Yankuang Group	Financial Service Agreement and its supplementary agreement	800,000	798,615
	deposit balance comprehensive credit facility services settlement services fees		400,000	222,521
			14,000	0
8	Train escort services provided by Yankuang Group	Coal Train Escort Services agreement	30,000	26,669
9	Entrusted wealth management services provided by Yankuang Group	Investment Consulting Agreement and its supplementary agreement	500,000	0
	total amount of entrusted wealth service fee		31,250	0
10	Clean energy technology licensing	Know-How Licensing Agreement	5,000	0
11	Entrusted management of chemical projects	Management Agreement of Chemical Projects	5,500	0

Note:

The amount of related/connected transactions in relation to the professional services provided by the Group to the controlled shareholder was RMB11.83 million in 2016, of which, Shengdi Fenlei Coal Preparation Engineering Technology (Tianjin) Co., Ltd. (“the company”) provides coal washing and processing services for the connected/related parties of the Company with the connected/related amount of RMB9.272 million in 2016.

In accordance with applicable financial reporting standards, the company is not included in the consolidated financial statements. However, as the number of appointed directors by the Company was in the majority in the company’s board of directors, in accordance with the applicable Hong Kong laws and regulations and the stock listing rules of the Shanghai Stock Exchange, the company was recognized as the subsidiary of the Company.

(2) Opinion of the Independent Non-executive Directors

The Company’s independent non-executive Directors have reviewed the Group’s continuing connected/related transactions with the Controlling Shareholder for the year 2016 and confirm that:

(1) all such connected transactions have been: (i) entered into by the Group in its ordinary and usual course of business; (ii) conducted either on normal commercial terms, or where there are not sufficient comparable transactions to determine whether they are on normal commercial terms, on terms no less favorable to the Group than terms available to or from independent third parties; and (iii) entered into in accordance with the relevant governing agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole; (2) the amount of the related transactions stated under the section headed “Connected/Related Transactions Performance in relation to Daily Operation” above has not exceeded the annual transaction caps for the year 2016 approved by independent Shareholders and the Board.

(3) Opinion of the Auditors

Pursuant to the Hong Kong Listing Rules, the Directors have engaged the auditors of the Company to perform certain procedures required by the Hong Kong Listing Rules in respect of the continuing related transactions of the Group. The auditors have reported to the Directors that the above continuing related transactions: (1) have received approvals of the Board; (2) are in accordance with the pricing policies of the Company; (3) have been carried out in accordance with the relevant provisions of the agreements governing the transactions; and (4) have not exceeded the relevant annual caps.

3. *Undisclosed events in extraordinary announcements*

Not applicable.

(II) Connected/Related Transactions in relation to Assets or Equity Acquisition and Sale

1. *Matters disclosed in extraordinary announcements and with no subsequent progress or change*

Not applicable

2. *Events that have disclosed in extraordinary announcements but have made progress or changes in subsequent implementation*

(i) The acquisition of the Wanfu Mining Right

As reviewed and approved at the annual general meeting of the Company for year 2015 held on 3 June 2016, the Company acquired Wanfu mining rights at a consideration of RMB1,250 million. Currently it is under the procedures for change of register of the ownership.

For details, please refer to the announcement in relation to the resolution passed at the seventeenth meeting of the sixth session of the board of directors convened on 29th March 2016, the connected/related transaction announcements and the announcement in relation to the resolution passed at the annual general meeting of shareholders of the Company for year 2015 on 3rd June 2016. The above announcements were also published on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the website of the Company and/or China Securities Journal and Shanghai Securities News.

(ii) The acquisition of equity interests of the Yankuang Group Finance Co., Ltd.

As reviewed and approved at the seventeenth meeting of the sixth session of the board of directors convened on 29 March 2016, the Company proposed to acquire 65% equity interests of Yankuang Group Finance Co., Ltd. held by Yankuang Group at a consideration of RMB1.242 billion. The above acquisition was vetoed in the general meeting.

For details, please refer to the announcement in relation to the connected/related transaction on 29 March 2016 and the announcement in relation to the resolution passed at the annual general meeting of shareholders of the Company for year 2015 on 3rd June 2016. The above announcements were also published on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the website of the Company and/or China Securities Journal and Shanghai Securities News.

3. *Events not disclosed in extraordinary announcement*

Not applicable

4. *Disclose the performance of the results relating to the results agreement during the reporting period*

Not applicable.

(III) Significant Connected/Related Transactions of Cooperative External Investment

1. *Events disclosed in extraordinary announcements and with no subsequent progress or change*

<u>Item Overview</u>	<u>Query Index</u>
As reviewed and approved at the twenty-ninth meeting of the sixth session of the board convened on 10 March 2017, Huaju Energy, a controlled subsidiary of Yanzhou Coal and Yankuang Group jointly invested and established Yankuang Electricity Sales Co., Ltd, of which, Huaju Energy contributed RMB30 million, holding 25% equity.	For details, please refer to the announcement on resolution passed at the twenty-ninth meeting of the sixth session of the board and the announcement on connected/related transactions dated on 10 March 2017, which were published on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the website of the Company and/or China Securities Journal and Shanghai Securities News.

2. *Events disclosed in extraordinary announcements with subsequent progress or changes during implementation*

At the twenty-fifth meeting of the sixth session of the board of directors convened on 11th October 2016, the Company reviewed and approved Yanzhou Coal, Yankuang Technology Co. Ltd, Shandong Rongyu Jingu Enterprise Investment Co. Ltd., and Mr. Bai Dingrong, a natural person, jointly establish Yancoal Blue Sky Clean Energy Co. Ltd., to which Yanzhou Coal will contribute RMB25.5 million with its own fund, representing 51% of its equity interest. On 21 October 2016, Yancoal Blue Sky Clean Energy Co., Ltd was incorporated and completed business registration.

For details, please refer to the announcement of Yanzhou Coal in relation to the connected/related transaction dated 11 October 2016, which was published on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the website of the Company and/or China Securities Journal and Shanghai Securities News.

3. *Events not disclosed in extraordinary announcements*

Not applicable

(IV) Credit and Debt Obligation among Connected Parties

RMB'000

Connected parties	Relationship	Fund provided to connected parties			Fund provided to the Group		
		Balance at the beginning	Amount occurred	Closing balance	Balance at the beginning	Amount occurred	Closing balance
Yankuang Group	Controlling shareholder	1,650,433	9,819,310	1,722,860	1,855,502	2,931,105	1,845,618
Total		1,650,433	9,819,310	1,722,860	1,855,502	2,931,105	1,845,618

Reasons for credit and debt obligation among connected parties	Sales of goods and provision of services among related parties, etc.
Impact on the Company by credit and debt obligation	No significant impact.

(V) Others

Pursuant to the Hong Kong Listing Rules, the Group's connected transactions set out in Note 51 to the consolidated financial statements prepared in accordance with the IFRS constitute continuing connected transactions in Chapter 14A of the Hong Kong Listing Rules, and the Company confirmed that such transactions have complied with the relevant disclosure requirements under the Hong Kong Listing Rules.

Other than the material connected transactions disclosed in this section, the Group was not a party to any material connected transactions during the reporting period.

XV. MATERIAL CONTRACTS AND PERFORMANCE

(I) Trust, Contract or Lease

Not applicable.

(II) Guarantees

Unit: RMB100 million

External guarantees of the Company (excluding guarantees to subsidiaries)	
Total amount of guarantee during the reporting period (excluding guarantees to the controlled subsidiaries)	0
Total guarantee balance by the end of the reporting period (A) excluding guarantees to the controlled subsidiaries	0
Guarantees to subsidiaries by the Company and its subsidiaries	
Total amount of guarantee to controlled subsidiaries during the reporting period	28.93
Total balance of guarantee to controlled subsidiaries by the end of the reporting period (B)	302.35
Total guarantees (including guarantees to controlled subsidiaries)	
Total amount of guarantees (A+B)	302.35
Percentage of total amount of guarantee in the equity attributable to the Shareholders of the Company (%)	71.95
Including:	
Amount of guarantees to Shareholders, actual controllers and related parties (C)	0
Amount of guarantees directly or indirectly to guaranteed parties with a debt-to-assets ratio exceeding 70% (D)	302.35
Total amount of guarantee exceeding 50% of equity attributable to the Shareholders (E)	92.24
Total amount of the above 3 categories guarantees (C+D+E)	394.5
Announcement of undue guarantee that may bear several and joint liability	N/A

Guarantee explanations

1. Information on external guarantees that occurred in the previous period and extended to the current reporting period

As approved at the 2011 annual general meeting, Yancoal Australia took a bank loan of USD3.04 billion for acquisition of equity interests of Yancoal Resources Pty. One tranche of the loan amounting to USD1.015 billion were due on 17 December 2012. After the repayment of USD100 million, Yancoal Australia extended the repayment date of the remaining principal amounting to USD45 million for 5 years, that is to 16 December 2017; USD300 million for 7.5 years, that is to 16 June 2020; and USD570 million for 8 years, that is to 16 December 2020. Another tranche of USD1.015 billion were due on 17 December 2013. After the repayment of USD100 million, Yancoal Australia extended the repayment date of the remaining principal amounting to USD45 million for 5 years, that is to 16 December 2018; USD300 million for 7.5 years, that is to 16 June 2021; and USD570 million for 8 years, that is to 16 December 2021. The tranche of USD1.010 billion were due on 16 December 2014. After the repayment of USD100 million, Yancoal Australia extended the repayment date of the remaining principal amounting to USD50 million for 5 years, that is to 16 December 2019; USD300 million for 7.5 years, that is to 16 June 2022; and USD560 million for 8 years, that is to 16 December 2022. As at 31 December 2016, the balance of the above loan was USD2.74 billion. The Company provided the guarantees of USD1.825 billion and RMB6.545 billion to Yancoal Australia.

As approved at the 2012 second extraordinary general meeting, the Company provided guarantees to its wholly-owned subsidiary, Yancoal International Resources Development Co., Ltd., for issuing USD1.0 billion corporate bonds in the overseas market. As at 31 December 2016, the balance of the above guarantee was USD584.417 million has been extended to this reporting period.

As approved at the 2012 annual general meeting, the Company provided guarantee of RMB2.081 billion for a bank loan of USD300 million benefiting its wholly-owned subsidiary, Yancoal International.

As approved at the 2014 annual general meeting, the Company issued a bank guarantee for a bank loan of USD100 million benefiting its wholly-owned subsidiary, Yancoal International.

As considered and approved at the 2014 first extraordinary general meeting, the Company provided financing guarantee in the credit amount of AUD187 million to Yancoal Australia. As at 31 December 2016, a guarantee balance of AUD100 million was extended to this reporting period.

A total of AUD160 million performance deposits and performance guarantees, which were necessary for operation of Yancoal Australia and its subsidiaries, were extended to this reporting period.

2. Guarantees arising during the reporting period

As approved at the 2015 annual general meeting of the Company, Yancoal Australia and its subsidiaries provided a guarantee in an amount not exceeding AUD500 million per year to its subsidiaries for their daily operation. During the reporting period, Yancoal Australia and its subsidiaries produced performance deposits and performance guarantees totaled AUD281 million due to operational necessity.

As approved at the 2015 annual general meeting, the Company provided guarantee for Qingdao Zhongyin Ruifeng International Trade Co., Ltd. During this reporting period, the Company provide guarantee in an amount of RMB1,345 million to Qingdao Zhongyin Ruifeng International Trade Co., Ltd.

As approved at the 2015 annual general meeting, the Company provided guarantee for Yancoal International Trade Co., Ltd. During this reporting period, the Company provided guarantee in an amount of USD20 million for Yancoal International Trade Co., Ltd.

Chapter 06 Significant Events

Note: The above table was prepared in accordance with the CASs and calculated at USD/RMB exchange rate of 6.937 and AUD/RMB exchange rate of 5.0157.

Save as disclosed above, there were no other guarantee contracts or outstanding guarantee contracts of the Company during the reporting period; there were no other external guarantees during the reporting period.

(III) Entrusted Cash and Assets Management

1. Entrusted Wealth Management

Unit: RMB

Trustee	Product type of entrusted Wealth management	Amount	Valid from	Maturity date	Yield determination	Amount of actual principal taken back	Actual income	Whether passed legal procedure or not	Connected transactions or not	Lawsuit involved or not
Jining branch of Guangdong Development Bank	Principal and income guaranteed	1,500,000,000	5 February, 2016	9 March 2016	3.40%	1,500,000,000	4,610,958.90	Yes	No	No
Jinan Yanshan sub-branch of Qilu Bank Co., Ltd.	Principal and income guaranteed	2,000,000,000	5 February, 2016	7 March, 2016	3.71%	2,000,000,000	6,389,444.44	Yes	No	No
Zoucheng Jining sub-branch of Bank of Communications	Principal and income guaranteed	1,500,000,000	6 February, 2016	7 March, 2016	3.90%	1,500,000,000	4,808,219.18	Yes	No	No
Jining branch of Industrial Bank Co., Ltd.	Principal and income guaranteed	2,000,000,000	25 January, 2017	25 April, 2017	4.00%	-	-	Yes	No	No
Zoucheng Jining sub-branch of Bank of Communications	Principal and income guaranteed	2,000,000,000	26 January, 2017	27 February, 2017	4.10%	2,000,000,000	7,189,041.10	Yes	No	No
Total	/	9,000,000,000	/	/	/	7,000,000,000	22,997,663.62	/	/	/
Amount of principal and income unrecovered but overdue (RMB)										0

Explanations on entrusted wealth management

At the 2014 first extraordinary general meeting of the Company held on 24 October 2014, the Company was approved to carry out the principal-guaranteed wealth management business for a balance not exceeding RMB5.0 billion. The expiration period of this business is 36 months starting from the date of the meeting.

The above-mentioned entrusted wealth management business does not constitute connected transactions and the Company has not made provision for impairment loss of asset for these. As at the disclosure date of this report, except the principal and income of the entrusted wealth management of RMB2 billion of Jining Branch of Industrial Bank Co., Ltd. was not taken back for undueness, the Company has taken back all principal and income occurring in the reporting period.

For details, please refer to the announcements in relation to purchase of wealth management products dated 5 February 2016 and 25 January 2017, respectively. The above announcements were also posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company's website and/or China Securities Journal and Shanghai Securities news.

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2. Entrusted loan

Unit: RMB100 million

Borrower	Amount	Loan period (year)	Loan Interest rate	Purpose	mortgage or guarantor	Overdue or not	Connected Transaction or not	Loan extension or not	Involved in lawsuit or not	Connected relationship	Profit or loss of the Investment
Yulin Neng Hua	2.5	8	4.90%	Methanol project construction	No	No	No	Yes	No	Wholly-owned subsidiary	0.145
Heze Neng Hua	8.9	5	4.90%	Power plant of Zhaolou Coal Mine	No	No	No	Yes	No	Controlled subsidiary	0.436
Ordos Neng Hua	28	5	4.75%	Acquisition of Wenyu mine	No	No	No	Yes	No	Wholly-owned subsidiary	1.330
Ordos Neng Hua	19	5	4.75%	Methanol project construction	No	No	No	No	No	Wholly-owned subsidiary	0.903
Ordos Neng Hua	18.82	5	4.75%	Consideration of Zhuanlongwan mining right	No	No	No	No	No	Wholly-owned subsidiary	0.894
Ordos Neng Hua	6.3	3	4.75%	Acquisition of equity interests in Inner Mongolia Xintai Coal Mining Co., Ltd.	No	No	No	No	No	Wholly-owned subsidiary	0.224

Explanation on entrusted loan

As at the reporting date, the Company has received principal repayment of RMB200 million from Yulin Neng Hua in respect to the RMB250 million entrusted loan the Company provide to Yulin Neng Hua.

As at the reporting date, the entrusted loan of RMB630 million the Company provided to Ordos Neng Hua were paid back.

3. Other investment and derivatives

Investment type	Investment		Product type	Gains/losses	Gains/losses	Investment Gains/losses	Involved in lawsuit or not
	Amount (Lots)	Investment period		in term of futures	in term of spot		
Commodity futures	230	January 2016 to June 2016	Thermal coal 1609	-267	460	193	No
Commodity futures	1500	January 2016 to June 2016	Rebar 1610	-1,173	1,870	697	No
Commodity futures	228	January 2016 to June 2016	Coking coal 1609	-125	140	15	No
Commodity futures	3500	January 2016 to June 2016	Methanol 1609	-565	1,300	735	No

Explanation on other investment in wealth management and derivative products

1. The “gains/losses in term of futures”, “gains/losses in terms of spot” and “gains/losses from investment” in above table is calculated in RMB’000;
2. The “investment gains/losses” is the total of “gains/losses in term of futures” and “gains/losses in terms of spot” after hedging by the Company.
3. For the first half year of 2016, the Company is of close position in terms of commodity futures.

For details of the Group’s investment in derivatives during the reporting period, please refer to the note 40 to the consolidated financial statement prepared in accordance with IFRS.

(IV) Other Material Contract

Save as disclosed in this chapter, the Company has not been a party to any material contracts during the current reporting period.

XVI. EXPLANATION ON OTHER SIGNIFICANT EVENTS

(I) Increase registered capital in Zhongyin Financial Leasing

As reviewed and approved at the annual general meeting of Shareholders for year 2015 held on 3 June 2016, the Company and Yancoal International, a wholly-owned subsidiary of the Company, contributed RMB3,735 million and RMB1,265 million respectively to Zhongyin Financing Leasing to increase the registered capital thereof. Upon completion, the registered capital of Zhongyin Financing Leasing increased from RMB2.06 billion to RMB7.06 billion, of which, 74.15% equity interests held by Yanzhou Coal, 25% by Yancoal International and 0.85% by Shandong Yongzheng Investment Development Co., Ltd..

(II) Increase Registered Capital in Duanxin Investment Holding (Beijing) Company Limited

As reviewed and approved at the twenty-second meeting of the six session of Board of Directors held on 16 June 2016, the Company increased its capital contribution of RMB2.5 billion in Duanxin Beijing. Upon completion, the registered capital increased from RMB810 million to RMB3.31 billion.

As reviewed and approved at the twenty-seventh meeting of the six session of Board of Directors held on 30 December 2016, the Company increased its capital contribution of RMB1 billion in Duanxin Beijing. Upon completion, the registered capital of Duanxin Beijing increased from RMB3.31 billion to RMB4.31 billion. Currently the Company is under the procedures for change of governmental registration.

(III) Increase Registered Capital in Donghua Heavy Industry

As reviewed and approved at the general manager working meeting of the Company, the Company increased its capital contribution of RMB907.32 million to Donghua Heavy Industry. Upon completion, the registered capital of Donghua Heavy Industry increased from RMB370.568 million to RMB1,277.888 million.

(IV) Purchase Equity Share of Zhongyan Trade Company Limited and Increase Registered Capital

As reviewed and approved at the general manager working meeting of the Company, the Company contributed RMB2.4 million to acquire 47.62% equity shares of Qingdao Free Trade Zone Zhongyan Trading Company Limited (“Qingdao Zhongyan”) from China National Coal Development Co., Ltd. Upon completion of the acquisition, Qingdao Zhongyan became a wholly-owned subsidiary of the Company.

As reviewed and approved at the general manager working meeting of the Company, the Company increased its capital contribution of RMB47.9 million to Qingdao Zhongyan, a wholly-owned subsidiary of the Company. Upon completion, the registered capital of Qingdao Zhongyan increased from RMB2.1 million to RMB50 million.

(V) Establishment of Duanxin Investment Holding (Shenzhen) Company Limited

As reviewed and approved at the eighteenth meeting of the sixth session of the board of directors, the Company established a wholly-owned subsidiary, Duanxin Investment Holding (Shenzhen) Company Limited with registered capital of RMB1.1 billion. Its main business scope covers equity investment, entrusted assets and investment management, corporate management and investment consulting services and other businesses.

(VI) Establishment of Shandong Yancoal Property Service Company Limited

As reviewed and approved at the general manager working meeting of the Company, the Company established a wholly-owned subsidiary, Shandong Yancoal Property Service Company Limited on 18 April 2016, with registered capital of RMB12 million. Its main business scope covers property management service, garden greening, sewage treatment, house rental brokerage services and other businesses.

(VII) Establishment of Qingdao Duanxin Asset Management Company Limited

As reviewed and approved at the general manager working meeting of the Company, the Company established a wholly-owned subsidiary, Qingdao Duanxin Asset Management Company Limited on 3 August 2016, with registered capital of RMB50 million. Its main business scope covers entrusted management of equity investment fund, entrusted management of enterprise asset, investment by use of its own fund, importation and exportation of goods and technology on its self or as an agent, international trade and transit trade.

(VIII) Establishment of Zhongyin (Tai'an) Financial Leasing Company Limited

As reviewed and approved at the general manager working meeting of the Company, Zhongyin (Tai'an) Financial Leasing Company Limited was jointly established with registered capital of RMB1,000 million, of which, Yancoal International, a wholly-owned subsidiary of the Company, contributed RMB250 million; Zhongyin Financial Leasing Co., Ltd, a controlled subsidiary of the Company, contributed RMB 450 million; and Dongyue Financial Investment Company Limited of Tai'an City contributed RMB 300 million. Its main business scope covers financial leasing (not including financial leasing), leasing business, purchase of domestic and overseas rental property, residue treatment and maintenance of leased property, consultation and guarantee on leasing transactions and engaging in commercial factoring business in relation to the main business.

(IX) Establishment of Yancoal Mineral Engineering Construction Company Limited

As reviewed and approved at the general manager working meeting of the Company convened on 1 November 2016, the Company set up a wholly-owned subsidiary, Yancoal Mineral Engineering Construction Company Limited, with registered capital of RMB50 million. Its main business covers mine engineering construction contract, electrical equipment installation, mining equipment development, technology transfer, technological consulting, technological service, and sales, leasing, maintenance, installation and dismantling of mineral equipment.

(X) Establishment of Jinan DuanxinMingli Financial Consulting Partnership (LP)

As reviewed and approved at the twenty-second meeting of the sixth session of the Board held on 16 June 2016 and the general manager working meeting of the Company, the Company contributed RMB1 billion, Duanxin Beijing contributed RMB1 billion and China Great Wall Securities Co., Ltd contributed RMB3 billion to jointly establish Jinan DuanxinMingli Financial Consulting Partnership (LP), which mainly undertakes financial management and consulting, enterprise assets management consulting, business consulting, conference and exhibition services, market information consulting and survey and other businesses. Of which, the Company and China Great Wall Securities Co., Ltd are partners of limited liability of the partnership and Duanxin Beijing is a general partner of the partnership.

(XI) Establishment of Jinan DuanxinMingren Financial Consulting Partnership (LP)

As reviewed and approved at the twenty-second meeting of the sixth session of the Board held on 16 June 2016, Duanxin Beijing contributed RMB1 billion, Shenzhen NCFS Asset Management Co., Ltd contributed RMB4 billion to jointly establish Jinan DuanxinMingren Financial Consulting Partnership (LP), which mainly involves financial management consulting, enterprise asset management consulting, business consulting, conference and exhibition services, market information consulting and survey and other businesses. Of which, Shenzhen NCFS Asset Management Co., Ltd is a partner of limited liability of the partnership and Duanxin Beijing is a general partner of the partnership.

(XII) Establishment of Jining DuanxinMingzhi Financial Consulting Partnership (LP)

As reviewed and approved at the twenty-second meeting of the sixth session of the board convened on 16 June 2016, Duanxin Beijing contributed RMB250 million and Jianghai Securities Co., Ltd contributed RMB1,000 million to jointly establish Jining DuanxinMingzhi Financial Consulting Partnership (LP). Its business activities mainly cover financial management consulting, enterprise asset management consulting, business consulting, conference and exhibition services, market information consulting and survey and other businesses. Of which, Jianghai Securities Co., Ltd is a partner with limited liability while Duanxin Beijing is a general partner of the partnership.

(XIII) Participating in Establishment of Mutual Life Insurance Head Office

As considered and approved at the twenty-second meeting of the sixth session of the Board held on 16 June 2016, Yanzhou Coal, acting as a substantial promotion member, loans self-owned fund of not more than RMB60 million to participate in establishing Jingxi Life Mutual Insurance Head Office (a temporary name which will be subject to the review and approval by Industrial and Commercial Bureau) by way of promotion. Yanzhou Coal shall contribute capital not exceeding 30% of the initial operating capital of Jingxi Mutual Life Insurance Head Office. As at the reporting date, preparatory works is being progressed for the establishment of Jingxi Life Mutual Insurance Head Office.

(XIV) Participating in Establishing a Securities Investment Fund Management Company

As considered and approved at the twenty-second meeting of the sixth session of the Board held on 16 June 2016, Yanzhou Coal invests not more than RMB60 million and participates in establishing ZhongjiaoLongcheng Fund Management Co., Ltd. (a temporary name which will be subject to the review and approval by the Industrial and Commercial Bureau) by way of promotion. Yanzhou Coal will hold not more than 30% equity interest. As at the reporting date, preparatory works is being progressed for the establishment of ZhongjiaoLongcheng Fund Management Co., Ltd..

(XV) Establishment of Measurement and Detection Center

As reviewed and approved at the eighteenth meeting of the sixth session of the Board held on 28 April 2016, the Company establishes Measurement and Detection Center, which will be in charge of overall management of the Company's measurement and detection business.

(XVI) Adjustment to the headquarter organization and relevant functions of the Company

As reviewed and approved at the twenty-third meeting of the sixth session of the Board held on 8 August 2016, the Company made certain adjustments to the headquarter organization and relevant functions: reorganize the Production Technology Department and the Ventilation and Gas Monitoring Department as Production Technology Department (Ventilation and Gas Monitoring Department); reorganizing the Safety Inspection Department and the Central Dispatching Office as Safety Inspection Department (Central Dispatching Office); reorganizing Shandong Coal Technology Research Institute and the Measurement and Detection Center as Shandong Coal Technology Research Institute (the Measurement and Detection Center); establishing Accounting Service Center and removing the Futures and Finance Department.

(XVII) Establishment of Qingdao (Region) Headquarter

As reviewed and approved at the twenty-ninth meeting of the sixth session of the Board convened on 10 March 2017, the Company established Qingdao (Region) Headquarter to be in charge of the management of all existing subordinate enterprises and projects under planning or development of the Company.

(XVIII) Shut down Beisu Coal Mine of the Company

Adhering to relevant documents issued by the State and the Government of Shandong Province, and as reviewed and approved at the general manager working meeting of the Company, the Company made application on its own accord to shut down Beisu Coal Mine, which was approved by the relevant governmental authorities. The closure of Beisu Coal Mine will decrease excess capacity of coal for 1 million tonnes, for which the Company received an appropriation of RMB149.05 million on 8 November 2016 as a subsidy for resolving excess capacity of coal industry by 2016 Industry Structure Readjustment Fund of the Finance Department of Shandong Province.

For details, please refer to the announcement on resolving excess capacity of coal dated on 10 October 2016 and the announcement on receiving governmental subsidy dated on 10 November 2016, which were also posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company and/or China Securities Journal and Shanghai Securities News.

(XIX) Subscription of Shares in China Zheshang Bank

As reviewed and approved at the sixteenth meeting of the sixth session of the Board held on 17 February 2016, Yancoal International, a wholly-owned subsidiary of the Company, contributed HKD1.584 billion for subscription of Zheshang Bank's IPO shares traded in the Stock Exchange of Hong Kong amounting 400 million shares.

On 18 April 2016, Yancoal International acquired additional 88 million H shares of China Zheshang Bank through block trade for a total consideration of approximately HK\$347.6 million. Upon completion of this acquisition, Yancoal International will hold 488 million H shares of China Zheshang Bank, representing 14.79% over the total amount of issued H shares of China Zheshang Bank, and 2.79% over the total share capital of China Zheshang Bank.

On 19 April 2016, the 488 million H shares of Zheshang Bank beneficially owned by Yancoal International dropped to 12.86% over the total H shares of Zheshang Bank and 2.72% over the total share capital of Zheshang Bank due to the exercise of the over-allotment option of an aggregate of 495 million H Shares.

Yancoal International purchased H shares of Zheshang Bank on 22 August 2016, 23 August 2016 and 29 August 2016 separately, totally purchased 25.897 million H shares at a consideration of HKD99.9908 million. Upon completion of this purchase, Yancoal International holds 514 million H shares of Zheshang Bank in total, representing 13.54% over the total issued H shares and 2.86% over the total share capital of Zheshang Bank respectively.

For details, please refer to announcement in relation to the subscription of Zheshang Bank's H shares dated 8 March 2016, 29 March 2016 and 18 April 2016, which were posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company's website and/or China Securities Journal and Shanghai Securities news.

(XX) Acquisition of Equity of Coal & Allied

As reviewed and approved at the twenty-eighth meeting of the sixth session of the Board held on 24 January 2017, Yancoal Australia, a controlled overseas subsidiary, planned to acquire 100% of share capital of Coal & Allied Industries Limited, which was owned by Australian Coal Holdings Pty. Limited and Hunter Valley Resources Pty Ltd, wholly-owned members of Rio Tinto plc at a consideration of USD2.35 billion (or USD2.45 billion, which depends on method of consideration payment). The transaction is still subject to the approval by the general meeting of Shareholders of the Company.

For details, please refer to announcement on equity acquisition by overseas controlled subsidiary dated 24 January 2017, which was posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company's website and/or China Securities Journal and Shanghai Securities news.

(XXI) Transfer of Equity of Shandong Zhongyin Logistics & Trade Co., Ltd.

As reviewed and approved at the general manager working meeting of the Company, the Company transferred its 100% equity of Shandong Zhongyin Logistics & Trade Co., Ltd to Shandong Zhongyin International Trade Co., Ltd, a wholly-owned subsidiary of the Company. Upon completion of the transfer, Shandong Zhongyin Logistics & Trade Co., Ltd became a wholly-owned subsidiary of Shandong Zhongyin International Trade Co., Ltd.

(XXII) Non-proceeding of the Non-Public Issuance by the Company

As reviewed and approved at the 2016 first extraordinary general meeting, the 2016 second class meeting of the holders of A Shares and the 2016 second class meeting of the holders of H Shares held on 19 August 2016, the Company was to issue non-public A Shares of the Company to specific target investors with an amount not exceeding 538 million shares (including 538 million shares).

As reviewed and approved at the 2017 first extraordinary general meeting, the 2017 first class meeting of the holders of A Shares and the 2017 first class meeting of the holders of H Shares held on 10 March 2017, the Company terminated the non-public issuance of A Shares.

For details, please refer to the announcement in relation to non-public issuance of A Shares dated on 16 June 2016, the papers in relation to the 2016 first extraordinary general meeting, the 2016 second class meeting of the holders of A Shares and the 2016 second class meeting of the holders of H Shares dated on 12 August 2016, and the announcements on resolutions passed at the 2016 first extraordinary general meeting, the 2016 second class meeting of the holders of A Shares and the 2016 second class meeting of the holders of H Shares dated on 19 August 2016, the announcement on non-proceeding of the non-public issuance by the Company dated on 30 December 2016, the papers in relation to the 2017 first extraordinary general meeting, the 2017 first class meeting of the holders of A Shares and the 2017 first class meeting of the holders of H Shares dated on 2 March 2017, and the announcements on resolutions passed at the 2017 first class meeting of the holders of A Shares and the 2017 first class meeting of the holders of H Shares dated on 10 March 2017, which were posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company's website and/or China Securities Journal and Shanghai Securities news.

(XXIII) Issuance of Non-public A shares

As reviewed and approved at the thirtieth meeting of the sixth session of the Board convened at 31 March 2017, the Company will issue non-public A Shares in an amount not exceeding 647 million shares (including 647 million shares) to specific investors, with issuing price not less than 90% of the average trading price of twenty days ahead of the date of pricing benchmark, which is the first day of the non-public issuance. The fund financed is expected to be an amount not exceeding RMB7 billion, and the net proceedings after deduction of financing expenses will be used for the purchase of 100% equity of Coal & Allied Industries Limited. The issuance is to be implemented upon review and approval by the general meeting of shareholders of the Company and China Securities Regulatory Commission.

For details, please refer to the announcement on non-public issuance of A Shares dated 31 March 2017, which was published on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company's website and/or China Securities Journal and Shanghai Securities news.

(XXIV) Delist of the ADSs of the Company From the New York Stock Exchange

As reviewed and approved at the twenty-eighth meeting of the six session of the board of directors held on 24 January 2017, the ADSs of the Company were changed to be traded in over the counter market instead of the public market of the New York Stock Exchange (“NYSE”). The Company applied for deregistration to NYSE on 25 January 2017 and the delisting became effective on 16 February 2017 following the close of the market in New York City. Upon completion of this change, the Company will delist from New York Stock Exchange and its ADSs will be traded on OTCQX of New York. As at the reporting date, the Company is under relevant overseas regulatory procedures in relation to the change of trading the ADSs of the Company over the counter market instead of the public market of the NYSE.

For details, please refer to the announcement in relation to the delist of the ADS from the New York Stock Exchange dated 25 January 2017, which was published on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

XVII. IMPLEMENTATION OF SOCIAL RESPONSIBILITIES IN AN ACTIVE MANNER

(I) Performance of Poverty Alleviation by the Company

1. *Summary of annual accurate poverty alleviation*

The Company undertook the social responsibilities in an active manner, continuously carried out all kinds of accurate poverty alleviation works, pursued development with local community and contributed to social harmony. In 2016, in accordance with relevant accurate poverty alleviation policies issued by the State and the Government of Shandong Province, the Company undertook social responsibilities in all manners, such as dispatching the first secretary work team of excellent cadres to villages to help those people living in poverty directly. The company totally invested RMB4.825 million in three poverty-stricken villages successively, of which the Company invested RMB0.5 million during this reporting period; and the Company made a disbursement of RMB0.15 million as poverty alleviation fund to 76 households of state level and local level in poverty during this reporting period.

2. *Statistics on 2016 accurate poverty alleviation*

Unit: RMB'000

Indicators	Amount of Investment and Implementation
I. Overview	650
of which, 1. Poverty alleviation fund	650
2. Material equivalent in RMB	0
3. Number of filed poor people who overcome poverty with the help of the Company's poverty alleviation	76
II. Investment by items	
1. Social poverty alleviation	
of which, 1.1 Investment in east and west poverty alleviation cooperation	0
1.2 Investment in specific place poverty alleviation	500
1.3 Poverty relief foundation	0
2. Others	
of which, 2.1 number of projects	1
2.2 Amount of investment	150
2.3. Number of filed poor people who overcome poverty with the help of the Company's poverty alleviation	76
2.4. Explanation on other projects	NO

(II) Performance of Social Responsibilities Works

The Company, focusing on sustainable development, has integrated the concept of social responsibilities with the enterprise's whole process of development all the time. During the reporting period, there is no major environmental or social security problem. For details in relation to environment protection, safety and other social responsibilities, please refer to the "2016 Social Responsibility Report" published on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company's website.

(III) Safety Management

The company, withholding to the principle of "people oriented and prevention focus", maintained safety management at a leading level both in China and in the world by adopting a series of measure including innovating safety management, strengthening inspection and solution on potential safety risks on site and increasing safety investment.

(IV) Explanation on the Environmental Protection Practices of Listed Company and its Subsidiaries in Severely Polluting Industries Specified in the Regulations Made by National Environmental Protection Authorities

The Group proactively promoted and optimized the environment and energy management system construction, increased investment in environmental protection treatment, energy-saving technology renovation, and continuously improved production technique and process. During this reporting period, the Group paid pollution discharge fee of RMB18.86 million, achieved energy saving and consumption reduction and met standards on pollutants discharge. The Group further reduced the discharge of greenhouse gases like CO₂, realized 100% compliance on discharge of mine water, dusts and SO₂ and 100% comprehensive utilization of solid wastes, achieved reclamation and environmentally friendly treatment of wastes, with all met relevant requirements made by local environmental authorities.

The Group implemented strict management procedures on energy saving and environment protection, did a good job in review, supervision and management of environment impact assessment, energy saving assessment and “three simultaneous” program for projects under construction, by which making prevention on problems concerning energy, resource and environment that the construction project may encounter, thus to realize source control.

Besides, through establishing and perfecting environmental contingency plan at all levels, optimizing emergency facilities and equipment, carrying out regular emergency rehearsal, the Group greatly enhanced its capability in prevention and control over environmental pollution events and emergency treatment, and decreased the occurrence of environmental accidents to the minimum.

During this reporting period, the Group carried out production and operation in accordance with relevant laws and regulations on environment protection of the State, and received no administrative penalty due to any breachment in relation to environment protection.

XVIII. CONVERTIBLE CORPORATE BONDS

Not applicable.

Changes in Ordinary Shares and Shareholders

I. CHANGES IN ORDINARY SHARES

(I) Table of Changes in Ordinary Shares

1. Table of changes in ordinary shares

	Before change		Increase/ Decrease (+,-)	After change	
	Shares	Percentage (%)		Shares	Percentage (%)
	Unit: Share(s)				
I Listed shares with restricted moratorium	170,500	0.0035	0	170,500	0.0035
1 State shareholding	0	0	0	0	0
2. shareholding by state-owned legal person	0	0	0	0	0
3 other domestic shareholding	170,500	0.0035	0	170,500	0.0035
Including: domestic shareholding by					
non-state-owned legal person	0	0	0	0	0
domestic natural person shareholding	170,500	0.0035	0	170,500	0.0035
4. foreign shareholding	0	0	0	0	0
II Shares without trading moratorium	4,911,845,500	99.9965	0	4,911,845,500	99.9965
1. A Shares	2,959,829,500	60.2569	0	2,959,829,500	60.2569
2. Foreign shares domestically-listed	0	0	0	0	0
3. Foreign shares listed overseas	1,952,016,000	39.7396	0	1,952,016,000	39.7396
III. Total share capital	4,912,016,000	100	0	4,912,016,000	100

2. Explanation on changes in ordinary shares

The Company repurchased 6,384,000 H shares in 2015 which resulted in the reduction of RMB 6,384,000 in the Company's registered capital. The Company completed the relevant change of business registration procedure on 28 September 2016. The H shares of Yanzhou Coal is decreased to 1,952,016,000 shares, the total share capital is decreased to 4,912,016,000 shares correspondingly, and the registered capital is decreased to RMB4,912,016,000.

3. The impact of changes in ordinary shares on financial indicators such as earnings per share, net asset per share of last year and last financial year (if any)

Not applicable.

4. Other disclosures the Company considers necessary or required by securities regulatory institutions

As at the latest practicable date prior to the issue of this annual report, according to the information publically available to the Company and within the knowledge of the Directors, the Directors believe that during the reporting period, the public float of the Company is more than 25% of the Company's total issued shares, which is in compliance with the requirement of the Hong Kong Listing Rules.

(II) Changes in Shares with Restricted Moratorium

Unit: Shares

Name of shareholder	Number of shares with restricted moratorium at the beginning of the year	Number of shares released from trading moratorium	Increase in number of shares with restricted trading moratorium	Number of shares with restricted trading moratorium at the end of year	Reasons for trading moratorium	Date of release from trading moratorium
Li Wei	0	0	10,000	10,000	Held by Directors, Supervisors and Senior Management ^①	-
Zhen Ailan	10,000	10,000	0	0	Held by Directors, Supervisors and Senior Management	29 September 2016
Total	10,000	10,000	10,000	10,000	/	/

Note: ① According to the relevant regulations, Directors, Supervisors and senior management of the Company can only sell not more than 25% of the total number of shares held by them per each year during the term of their incumbency. If the above persons sold any shares held by them within six months after the purchase, or made any purchase within six months after disposal, any gain from such transactions will belong to the Company.

② Since Mr. Li Wei was appointed as the vice chairman of the Company on 3 June 2016, the 10,000 A shares purchased in July 2015 constituted shares with restricted moratorium. On 29 September 2016, the 10,000 A shares held by Zhen Ailan, who had been the supervisor of the Company, were released from restriction for she has left the Company for six months.

II. SECURITIES ISSUANCE AND LISTING

(I) Securities Issuance as at 31 December 2016

Not applicable.

(II) Changes in Total Number of Shares, Shareholders' Structure, and Assets and Liability of the Company

Not applicable.

(III) Changes in Total Number of Shares Held by the Employees of the Company

Not applicable.

III. SHAREHOLDERS AND ACTUAL CONTROLLER

(I) Total Number of the Shareholders

Total number of shareholders as at 31 December 2016	59,677
Total number of ordinary shareholders at the end of last month before disclosure date of this annual report	61,466
Total number of preferred shareholders with resumed voting right by the end of the reporting period	0
Total number of preferred shareholders with resumed voting right at the end of last month before disclosure date of this annual report	0

Chapter 07 Changes in Ordinary Shares and Shareholders

(II) Top ten Shareholders holding trading shares not subject to trading moratorium as at 31 December 2016

Unit: Shares

Name of shareholders	Increase/Decrease during the reporting period	Number of shares held by the end of 2016	Shareholding of the top ten shareholders				
			Percentage (%)	Number of shares held with trading moratorium	Pledge or locked Status	Numbers of shareholders	Class of shares
Yankuang Group Company Limited	0	2,600,000,000	52.93	0	pledged	1,300,000,000	State-owned legal person
Hong Kong Securities Clearing Company (Nominees) Limited	416,800	1,945,146,699	39.60	0	unknown	Foreign legal person	Foreign legal person
China Securities Finance Corporation Limited	-41,611,501	60,284,438	1.23	0	No	0	State-owned legal person
Central Huijin Investment Limited	0	19,355,100	0.39	0	No	0	State-owned legal person
China Life Insurance Company Limited-Dividend-Personal Dividend-005L-FH002 HU	13,083,621	13,083,621	0.27	0	No	0	others
Rongtong New Blue Chip Securities Investment Fund	8,148,939	8,148,939	0.17	0	No	0	others
Bank of China Limited-Yifangda Resource Industry Mixed Securities Investment Fund	4,500,000	4,500,000	0.09	0	No	0	others
Chen Xiaodong	1,508,009	4,436,200	0.09	0	No	0	Domestic natural person
Taiping Life Insurance Co., Ltd.-Dividend-Group insurance dividend	4,184,154	4,184,154	0.09	0	No	0	others
Haitong Securities Co., Ltd.-Zhongrong Zhongzheng Coal Index Classified Securities Investment Fund	3,264,169	3,695,857	0.08	0	No	0	others

Top ten shareholders holding tradable shares not subject to trading moratorium

Name of shareholders	Number of tradable shares held	Class and number of shares held	
		Class of shares	Number of shares held
Yankuang Group Company Limited	2,600,000,000	A shares	2,600,000,000
Hong Kong Securities Clearing Company (Nominees) Limited	1,945,146,699	H shares	1,945,146,699
China Securities Finance Corporation Limited	60,284,438	A shares	60,284,438
Central Huijin Investment Limited	19,355,100	A shares	19,355,100
China Life Insurance Company Limited-Dividend-Personal Dividend-005L-FH002 HU	13,083,621	A shares	13,083,621
Rongtong New Blue Chip Securities Investment Fund	8,148,939	A shares	8,148,939
Bank of China Limited-Yifangda Resource Industry Mixed Securities Investment Fund	4,500,000	A shares	4,500,000
Chen Xiaodong	4,436,200	A shares	4,436,200
Taiping Life Insurance Co., Ltd.-Dividend-Group insurance dividend	4,184,154	A shares	4,184,154
Haitong Securities Co., Ltd.-Zhongrong Zhongzheng Coal Index Classified Securities Investment Fund	3,695,857	A shares	3,695,857

Connected relationship or concerted-party relationship among the above shareholders

The subsidiary of Yankuang Group incorporated in Hong Kong held 180,000,000 H shares through HKSCC (Nominees) Limited. Apart from this, it is unknown whether other shareholders are connected with one another or whether any of these shareholders fall within the meaning of parties acting in concert.

Explanation on the preferred shareholders with resumed voting right and their corresponding number of shareholdings held

No

Notes:

1. The above information regarding “Total number of Shareholders” and “The top ten Shareholders and the top ten holders of tradable shares” is based on the register of members provided by the China Securities Depository and Clearing Corporation Limited Shanghai Branch and the Hong Kong Registrars Limited.
2. As the clearing and settlement agent for the Company’s H Shares, HKSCC (Nominees) Limited holds the Company’s H Shares in the capacity of a nominee.
3. On 26 November 2015, Yankuang Group pledged 520,000,000 shares of A shares without trading moratorium of the Company held in favor of the Export-Import Bank of China as full-amount guarantee by way of share pledge for a bank loan of USD0. 5 billion provided by The Export-Import Bank of China to the Company. The term of pledge is of 24 months.
4. Yankuang Group pledged its 402,000,000 A shares without trading moratorium and 378,000,000 shares of the Company in favor of the Qilu Securities (Shanghai) Assets Management Co., Ltd. on 7 July 2016 and 15 July 2016, respectively, as stock pledged repo for financing. The term of pledge is of 36 months. As at the reporting date of this annual report, the accumulative shares of the Company pledged by Yankuang Group are 1,300,000,000 shares, accounting for 26.47% of the total share capital of the Company.

(III) Strategic Investors or Ordinary Legal Persons Becoming Top Ten Shareholders through New Shares Allotment

Not applicable.

(IV) Substantial Shareholders’ Interests and Short Positions in the Shares and Underlying Shares of the Company

As far as the Directors are aware, save as disclosed below, as at 31 December 2016, other than the Directors, Supervisors or chief executives of the Company, there were no other persons who were substantial shareholders of the Company or had interests or short positions in the shares or underlying shares of the Company, which should: I. be disclosed pursuant to Sections 2 and 3 under Part XV of the SFO; II. be recorded in the register to be kept pursuant to Section 336 of the SFO; III. notify the Company and the Hong Kong Stock Exchange in other way.

Chapter 07 Changes in Ordinary Shares and Shareholders

Name of Substantial Shareholders	Class of Shares	Capacity	Number of Shares Held (shares)	Nature of Interests	Percentage in the H Share Capital of the Company	Percentage in Total Share Capital of the Company
Yankuang Group	A Shares (state-owned legal person shares)	Beneficial owner	2,600,000,000	Long position	—	52.93%
Yankuang Group (Note 1)	H Shares	Interest of controlled corporations	180,000,000	Long position	9.22%	3.66%
JPMorgan Chase & Co.	H Shares	Beneficial owner	40,997,467	Long position	2.10%	0.83%
			18,323,644	Short position	0.94%	0.37%
		Investment manager	30,000	Long position	0.00%	0.00%
		Custodian corporation/approved lending agent	171,783,794	Long position	8.80%	3.50%
Templeton Asset Management Ltd.	H Shares	Investment manager	177,226,000	Long position	9.08%	3.61%
BNP Paribas Investment Partners SA	H Shares	Investment manager	117,641,207	Long position	6.03%	2.39%

Notes:

- Those H Shares are held by Yankuang Group's wholly-owned subsidiary incorporated in Hong Kong in the capacity of beneficial owner.
- The percentage figures above have been rounded off to the nearest second decimal place.
- Information disclosed hereby is based on the information available on the website of Hong Kong Stock Exchange at www.hkex.com.hk.

IV. CONTROLLED SHAREHOLDERS AND ACTUAL CONTROLLER

(I) Controlled Shareholders

1. Legal person

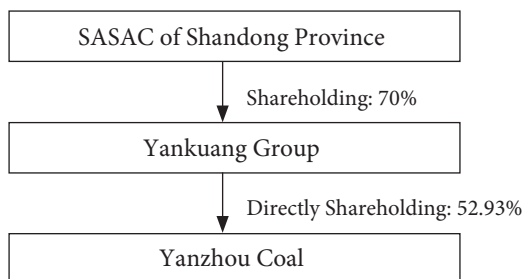
Name	Yankuang Group
Person in charge or legal representative	Li Xiyong
Date of establishment	12 March 1996
Main business	coal production and sales, coal chemicals, coal aluminum, machinery manufacturing, external investment, operation and management etc.
Controlling shares or participating shares held by Yankuang Group of other companies listed at home and abroad	Please see the table below.
Other explanations	At 31 December 2016, Yankuang Group held 2,600,000,000 A Shares of the Company, representing 52.93% of the total share capital of the Company; the wholly-owned subsidiary of Yankuang Group incorporated in Hong Kong held 180,000,000 shares in the Company, representing 3.66% of the total share capital of the Company; Yankuang Group and its wholly-owned subsidiary in Hong Kong held 2,780,000,000 shares of the Company, representing 56.59% of the total share capital of the Company.

As at 31 December 2016, controlling shares or participating shares held by Yankuang Group of other companies listed at home and abroad are as follows:

No.	Name of the Listed company	Stock exchange	Stock code	Number of shares held (shares)	Percentage of shares held (%)
1	Guizhou Panjiang Refined Coal Co., Ltd.	Shanghai Stock Exchange	600395	191,970,000	11.60
2	Rizhao Port Co., Ltd.	Shanghai Stock Exchange	600017	164,300,000	5.34
3	Tiandi Science and Technology Co., Ltd.	Shanghai Stock Exchange	600582	21,460,000	0.52
4	Shenzhen DAS Intelligence Co., Ltd.	Shenzhen Stock Exchange	002421	1,520,000	0.08
5	Guotai Junan Securities	Shanghai Stock Exchange	601211	49,880,000	0.65

(II) Actual Controller

1. Name of actual controller: State-owned Assets Supervision and Administration Commission of Shandong Province (SASAC of Shandong Province)
2. Diagram of equity and relationship of control between the Company and the actual controller:



3. The actual controller controlling the Company through trust or other asset management
Not applicable.

V. LEGAL PERSONS AS SHAREHOLDERS WITH SHAREHOLDING OF 10% OR MORE

As at 31 December 2016, the HKSCC (Nominees) Limited holds 1,945,146,699 H Shares, representing 39.60% over the total share capital of the Company. The HKSCC (Nominees) Limited is a member of Hong Kong central clearing and settlement system, providing customers with security registration and custody business.

VI. EXPLANATION ON RESTRICTION OF SELLDOWN SHAREHOLDING

Not applicable.

VII. PRE-EMPTIVE RIGHTS

The Articles and the laws of the PRC do not contain any provision for any pre-emptive rights requiring the Company to offer new shares on a pro-rata basis to its existing Shareholders.

Directors, Supervisors, Senior Management and Employees

I. CHANGES IN SHAREHOLDING AND REMUNERATION

(I) Changes in Shareholding and Remuneration of Current and Resigned Directors, Supervisors and Senior Management

Name	Title (note)	Gender	Age	Beginning Date of the Office Term	Ending Date of the Office Term	Number		Increase/ Decrease of Shareholding During the Reporting Period	Reasons for Change	Unit: Shares	
						Held at the Beginning of the Reporting Period	Held at the end of this Reporting Period			Remuneration Before Tax Received From the Company During the Reporting Period (RMB10,000)	Whether Receive Remuneration From Connected Parties of the Company
Li Xiyong	Director, Chairman of the Board	Male	53	9 Sep 2013	14 May 2017	10,000	10,000	0	-	0	Yes
Li Wei	Director, Vice Chairman of the Board	Male	50	3 June 2016	14 May 2017	10,000	10,000	0	-	0	Yes
Wu Xiangqian	Director General Manager	Male	51	14 May 2014 6 Jan 2016	14 May 2017 14 May 2017	10,000	10,000	0	-	47.41	No
Wu Yuxiang	Director Chief Financial Officer (resigned)	Male	55	22 April 2002 22 April 2002	14 May 2017 6 Jan 2016	30,000	30,000	0	-	26.45	Yes
Zhao Qingchun	Director Chief Financial Officer	Male	49	3 June 2016 6 Jan 2016	14 May 2017 14 May 2017	0	0	0	-	21.01	No
Guo Dechun	Director	Male	55	3 June 2016	14 May 2017	0	0	0	-	54.93	No
Guo Jun	Employee Director Employee Supervisor (resigned)	Male	54	3 June 2016 26 Apr 2014	14 May 2017 3 June 2017	10,000	10,000	0	-	41.88	No
Kong Xiangguo	Independent Director	Male	61	10 Mar 2017	14 May 2017	0	0	0	-	0	No
Jia Shaohua	Independent Director	Male	66	14 May 2014	14 May 2017	0	0	0	-	13.01	No
Wang Xiaojun	Independent Director	Male	62	20 May 2011	14 May 2017	0	0	0	-	13.01	No
Qi Anbang	Independent Director	Male	65	3 June 2016	14 May 2017	0	0	0	-	7.59	No
Zhang Shengdong	Supervisor Chairman of Supervisory Committee	Male	60	22 April 2002 1 July 2015	14 May 2017 14 May 2017	10,000	10,000	0	-	0	Yes
Gu Shisheng	Supervisor Vice Chairman of Supervisory Committee	Male	55	14 May 2014 1 July 2015	14 May 2017 14 May 2017	10,000	10,000	0	-	0	Yes
Meng Qingjian	Supervisor	Male	55	3 June 2016	14 May 2017	0	0	0	-	0	Yes
Xue Zhongyong	Supervisor	Male	52	3 June 2016	14 May 2017	0	0	0	-	0	Yes
Jiang Qingquan	Employee Supervisor Employee Director (resigned)	Male	53	3 June 2016 26 April 2014	14 May 2017 3 June 2016	10,000	10,000	0	-	41.07	No
Chen Zhongyi	Employee Supervisor	Male	51	26 April 2014	14 May 2017	10,500	10,500	0	-	29.61	No
Liu Jian	Deputy General Manager	Male	48	30 December 2016	14 May 2017	0	0	0	-	41.43	No
Wang Fuqi	Chief Engineer	Male	52	6 March 2014	14 May 2017	10,000	10,000	0	-	31.92	No
Zhao Honggang	Deputy General Manager	Male	51	23 December 2014	14 May 2017	10,000	10,000	0	-	41.58	No
An Manlin	Deputy General Manager	Male	50	30 December 2016	14 May 2017	0	0	0	-	38.82	No

Chapter 08 Directors, Supervisors, Senior Management and Employees

Name	Title (note)	Gender	Age	Beginning Date of the Office Term	Ending Date of the Office Term	Number of Shares Held at the Beginning of the Reporting Period	Number of Shares Held at the end of this Reporting Period	Increase/ Decrease of Shareholding During the Reporting Period	Reasons for Change	Total	Whether Receive Remuneration From Connected Parties of the Company
										Remuneration Before Tax Received From the Company During the Reporting Period (RMB10,000)	
Jin Qingbin	Secretary to the Board	Male	39	29 March 2016	14 May 2017	0	0	0	-	24.81	No
Yin Mingde	Director (resigned)	Male	54	14 May 2014	3 June 2016	10,000	10,000	0	-	33.67	Yes
Zhang Baocai	Director (resigned)	Male	49	10 November 2006	3 June 2016	0	0	0	-	168.25	No
	Deputy General Manager (resigned)			25 March 2011	29 March 2016						
	Secretary to the Board (resigned)			20 September 2006	29 March 2016						
Xue Youzhi	Independent Director (resigned)	Male	52	20 May 2011	3 June 2016	0	0	0	-	5.42	No
Wang Lijie	Independent Director (resigned)	Male	64	14 May 2014	10 March 2017	0	0	0	-	13.01	No
Zhen Ailan	Supervisor (resigned)	Female	53	27 June 2008	29 March 2016	10,000	10,000	0	-	0	Yes
Shi Chengzhong	Deputy general manager (resigned)	Male	54	8 July 2002	30 December 2016	10,000	10,000	0	-	44.35	No
Liu Chun	Deputy General Manager (resigned)	Male	55	2 December 2011	30 December 2016	10,000	10,000	0	-	44.34	No
Ding Guangmu	Deputy General Manager (resigned)	Male	56	6 March 2014	30 December 2016	10,000	10,000	0	-	43.07	No
Total	/	/	/	/	/	180,500	180,500	0	/	826.64	/

Notes:

- The above terms of office begin at the closing date of the Shareholders' meeting for the election of members of the first session of the Board and Supervisory Committee and at the closing date of the Board meeting for the appointment or dismissal of senior management, respectively. The terms of office end at the closing date of the Shareholders' meeting for the election of members for the new sessions of the Board and Supervisory Committee and at the closing of the Board meeting for the appointment or dismissal of senior management, respectively.
- Save as disclosed above, as at 31 December 2016, none of the Directors, chief executives or Supervisors had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) which (i) was required to be recorded in the register established and maintained in accordance with section 352 of the SFO; or (ii) was required to be notified to the Company and Hong Kong Stock Exchange in accordance with the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") (Appendix 10 to the Hong Kong Listing Rules) (which shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors).

Chapter 08 Directors, Supervisors, Senior Management and Employees

As at 31 December 2016, the Directors, Supervisors and senior management together held 140,500 A Shares, representing 0.00286% of the Company's total issued share. The Directors held these shares as beneficial owners.

All of the above disclosed interests represent the Company's long position in shares.

1. *The shareholding of Yancoal Australia by current and resigned Directors, Supervisors and senior management during the reporting period*

Name	Gender	Position	Number of Shares Held at the Beginning of the Reporting Period (shares)	Increase/Decrease of this year (shares)	Number of Shares Held at the End of the Reporting Period (shares)	Reasons for Change
Zhang Baocai	Male	Director, deputy general manager, secretary to the Board (resigned)	1,162,790	0	1,162,790	-

As at 31 December 2016, none of the Directors, Supervisors, senior management nor their respective spouses or children under the age of 18 were granted any restricted shares of the Company or any rights to subscribe for any shares or debentures of the Company or its associated corporations.

2. *Work experience of Directors, Supervisors and senior management*

Name	Major Work Experience
Li Xiyong	born in October 1963, a research fellow in applied engineering technology with an EMBA degree, is the Chairman of the Company and chairman and secretary of the party committee of Yankuang Group. Mr. Li commenced his career in 1981. He was appointed as the head of Huafeng Coal Mine of Xinwen Mining Group Co., Ltd. ("Xinwen Group") in May 2001. In June 2006, he was appointed as the deputy general manager of Xinwen Group. In May 2010, he was appointed as the chairman and secretary of the party committee of Xinwen Group. In March 2011, he was appointed as the vice chairman of Shandong Energy Group Co., Ltd. and the chairman and secretary of the party committee of Xinwen Group. In July 2013, he was appointed as the director, general manager and deputy secretary of the party committee of Yankuang Group. In February 2015, he was appointed as the chairman and party committee secretary of Yankuang Group. In September 2013, he was appointed as the Chairman of the Company. Mr. Li graduated from Shandong University of Science and Technology and Nankai University.

Name	Major Work Experience
Li Wei	<p>born in September 1966, a research fellow in applied engineering technology with doctor degree of engineering, is the vice chairman of the Company and general manager of Yankuang Group. Mr. Li joined the Company's predecessor of Yankuang Group in 1988. He was appointed as the deputy head of Baodian Coal Mine of Yankuang Group in December 1996, the director of reorganization division of strategic resource development department of Yankuang Group in May 2002, the chairman, the secretary of party committee and the general manager of Yankuang Xilin Nenghua Co., Ltd in September 2002. In March 2004, he was in charge of all party committee works and management of Baodian Coal Mine, and he was appointed as the head and vice secretary of party committee of Baodian Coal Mine in September 2004, the head and the vice secretary of party committee of Nantun Coal Mine in August 2007, the deputy chief engineer of Yankuang Group and the vice director of production safety inspection bureau in August 2009, the vice general manager of Yankuang Group and the director of production safety inspection bureau in April 2010. In May 2015, he was appointed as the director, the general manger and the vice secretary of party committee of Yankuang Group, the general manager of Yankuang Group in December 2015, and the vice chairman of the Company in June 2016. Mr. Li graduated from Shandong University of Science and Technology and University of Science and Technology Beijing.</p>
Wu Xiangqian	<p>born in February 1966, a research fellow in applied engineering technology and a doctor of engineering, is a Director and general manager of the Company. Wu joined the Company's predecessor in 1988. In 2003, he was appointed as the deputy head of Jining No.3 Coal Mine of the Company. In 2004, Mr. Wu was appointed as the deputy head and chief engineer of Jining No.3 Coal Mine. In 2006, he was appointed as the head of Jining No.3 Coal Mine. In March 2014, he was promoted as the chairman and general manager of Yanzhou Coal Ordos Neng Hua Co., Ltd. and chairman of Inner Mongolia Haosheng Coal Mining Co., Ltd. In May 2014, he was appointed as a Director of the Company. In January 2016, he was appointed as the general manager of the Company. Mr. Wu graduated from Shandong University of Science and Technology and China University of Mining and Technology.</p>
Wu Yuxiang	<p>born in January 1962, a senior accountant with a master's degree, is a Director of the Company. Mr. Wu joined the Company's predecessor in 1981. Mr. Wu was appointed as the director of the Finance Department of the Company in 1997, and was appointed as the chief financial officer of the Company in 2002 and the director of Investment and Development Department of Yankuang Group in 2016. In January 2016, he was appointed as the deputy chief accountant of Yankuang Group. And he was appointed as the Director of the Company in 2002. Mr. Wu graduated from the Party School of Shandong Provincial Communist Committee.</p>

Name	Major Work Experience
Zhao Qingchun	<p>born in March 1968, a senior accountant with an EMBA degree, is a Director and the chief financial officer of the Company. Mr. Zhang joined the Company's predecessor in 1989 and was appointed as the chief accountant of Finance Department in 2002 and director of the Planning and Finance Department of the Company in 2006. In March 2011, he was appointed as the vice chief financial officer and the director of the Finance Department of the Company. In March 2014, Mr. Zhao was appointed assistant general manager and the director of the Finance Management Department of the Company. In January 2016, he was appointed as the chief financial officer of the Company. And he was appointed as the director of the Company in June 2016. Mr. Zhao graduated from Nankai University.</p>
Guo Dechun	<p>born in February 1962, a senior engineer with master of engineer, is a Director of the Company. Mr. Guo joined the Company's predecessor in 1987 and was appointed as the director of the safety inspection department of Dongtan Coal Mine in January 2000, the deputy head of Dongtan Coal Mine in June 2002. In August 2008, he was appointed as deputy head and chief engineer of Baodian Coal Mine, and the deputy head of baodian coalmine in September 2009, the head and vice secretary of the party committee of Yangchun Coal Mine in April 2010. In January 2014, he was appointed as the head and the vice secretary of party committee of Dongtan Coal Mine in January 2014. In December 2015, he was appointed as the chairman, general manager and the vice secretary of party committee of Yanzhou Coal Ordos Neng Hua Co., Ltd., the chairman of Inner Mongolia Haosheng Coal Co., Ltd., the chairman, the general manager and the secretary of party committee of Yancoal Yulin Neng Hua Co., Ltd. And he was pointed as the director of the Company in June 2016. Mr. Guo graduated from China University of Mining and Technology.</p>
Guo Jun	<p>born in January 1963, is a professor-level senior administrative officer, a senior economist, a doctor of business administration, an employee director and the secretary of party committee and the chairman of trade union of the Company. Mr. Guo joined the Company's predecessor in 1980 and served as the director of the economic division of the General Manager's Office in 1996. He was appointed as the Deputy Director of the General Manager's Office in 1997 and served as the Office Director of Board of Directors respectively in 2000 and 2002. He was appointed as the Secretary of the Party committee and Deputy head of Baodian Coal Mine of the Company in 2004. In March 2014, Mr. Guo was appointed as the Secretary of the Discipline Inspection Commission of the Company in March 2014 and the employee supervisor of the Company in April 2014. And he was appointed as the vice secretary of party committee and the chairman of trade union of the Company in April 2016 and the employee director of the Company in June 2016. Mr. Guo graduated from the China Mining University (Beijing).</p>

Name	Major Work Experience
Kong Xiangguo	born in June 1955, is a professor-level senior engineer, national registered consulting engineer, national registered mining engineer, who enjoys allowance of the state council. Mr. Kong now serves as the director of Transportation Technology Department of Survey and Engineering Commission of China Coal Construction Association, the director of CCTEG Xi'an Research Institute, the member of the thirteenth session of CPPCC. Mr. Kong had been the chairman and the vice secretary of party committee of CCTEG Nanjing Engineering Co., Ltd., and he was awarded with Excellent President of National Survey and Engineering Institute, Ten Best Modern Management Entrepreneur among national survey and engineering industry and many other honors. Mr. Kong was appointed as the Independent Director of the Company on March 2017. Mr. Kong graduated from Shandong University of Science and Technology.
Jia Shaohua	born in December 1950, doctor of economics, a researcher, Mr. Jia is currently the director of Tax Education Institute of the Central University of Finance and Economics, a member of Academic Research of the Chinese Tax Institute, a member of education committee of the Chinese Certified Tax Agents Association and vice president of the China Society for Finance and Tax Law, an executive member of the Chinese Enterprise Financial Tax Management Association, the consultant of the China Society for Tax Education and China Society for Tax Planning, as well as the graduate advisor of the Central University of Finance and Economics, the Graduate School of Chinese Academy of Social Sciences, the Graduate School of Research Institute of Ministry of Finance, PRC. Mr. Jia was previously the commissioner of the Finance Department of Ningxia Autonomous Region, the deputy general manager of Hainan Commercial Group Company, the deputy commissioner of Jiangxi Provincial Office, State Administration of Taxation and Hainan Provincial Office, State Administration of Taxation, the dean of Tax Leadership Academy of the State Administration of Taxation, and the editor-in-chief of the China Taxation Publisher etc. Mr. Jia has rich experience in accounting and tax and completed a number of key research subjects at national and provincial level. In 1996, Mr. Jia was awarded "Expert of Excellence with outstanding contribution" in terms of Enterprise Operation and Management by People's Government of Hainan Province. He was awarded "Expert of Excellence with outstanding contribution" in the field of tax research and teaching by the State Council and enjoys the special allowance from the State Council. Mr. Jia is also the independent director of Harbin Electric Corporation Jiamusi Electric Machine Co., Ltd., JA Solar Holdings Co., Ltd., Zhuhai Letong Chemical Co., Ltd. and Haima Automobile Group Co., Ltd. Mr. Jia graduated from the Graduate School of Chinese Academy of Social Sciences.

Name	Major Work Experience
Wang Xiaojun	<p>born in August 1954, a solicitor admitted in the PRC, Hong Kong, England and Wales, a holder of master degree in law, is a partner of Jun He Law Offices. He was admitted to practice laws in the PRC, Hong Kong, England and Wales in 1988, 1995 and 1996, respectively. Mr. Wang has worked as a legal adviser in the Hong Kong Stock Exchange and Richards Butler. Mr. Wang is also an independent non-executive director of China Aerospace International Holdings Limited, Livzon Pharmaceutical Group Co., Ltd. and Oriental Patron Financial Investments Ltd. Mr. Wang served as an independent Director of the Company since May 2011. Mr. Wang graduated from Renmin University of China and the Graduate School of Chinese Academy of Social Sciences.</p>
Qi Anbang	<p>born in February 1952, a doctor of management, professor and the graduate advisor, is the director of the master center of project management of Nankai University, the director of modern project management research center, the vice director of MBA center of Nankai University. Mr. Qi is mainly engaged in enterprise management, project management, investment project assessment, technological and economic analysis and has completed many topic researches at national-level and provincial-level. He was awarded a series of honors, including 2009 Research Award by International Project Management Association and Excellent Achievement on Social Science Research of Tianjin City. He also served as the chairman of Research Committee of International Project Management Association, the vice chairman of China Project Management Research Association, the vice chairman of Information System Research Association of China System Union, a member of expert committee of China Engineering Cost Association, a consultant for government management of Tianjin City and many other social positions. Mr. Qi was appointed as the independent director of the Company in June 2016. He graduated from Nankai University.</p>
Zhang Shengdong	<p>born in March 1957, a senior accountant, is the chairman of the supervisory committee of the Company and a Director of Yankuang Group. Mr. Zhang joined the Company's predecessor in 1981 and became deputy chief accountant of Yankuang Group and the director of the Finance Management Department of Yankuang Group in 1999. Mr. Zhang was appointed as the general manager assistant of Yankuang Group in 2008. Mr. Zhang was appointed as the deputy general manager of Yankuang Group in January 2014. He was appointed as a director of Yankuang Group in May 2015. He was appointed as a Supervisor of the Company in April 2002, the vice chairman and the chairman of the Supervisory Committee of the Company in May 2014 and July 2015 respectively. Mr. Zhang graduated from China University of Mining and Technology.</p>

Name	Major Work Experience
Gu Shisheng	born in January 1964, a professor level senior administrative officer with a master degree, is the vice chairman of the Supervisory Committee of the Company and the employee Director, a member of the Party's standing committee and chairman of the trade union of Yankuang Group. Mr. Gu joined the Company's predecessor in 1979. He served as the deputy party committee secretary of Xinglongzhuang Coal Mine of Yankuang Group in 1996 and the party committee secretary of Xinglongzhuang Coal Mine of the Company in 2002. He served as the deputy secretary of the Discipline Inspection Commission and the director of Supervision Department of Yankuang Group in 2003. He was appointed as the chairman of the trade union of Yankuang Group in January 2014 and an employee director and member of the Party's standing Committee in December 2015. He served a Supervisor of the Company in May 2014 and vice chairman of the Supervisory Committee of the Company in July 2015. Mr. Gu graduated from the Party School of Shandong Provincial Communist Committee.
Meng Qingjian	born in February 1962, a senior accountant, bachelor degree holder, is a Supervisor of the Company and the director of the Finance Management Department of Yankuang Group. Mr. Meng joined the Company's predecessor in 1981, and was appointed as the chief accountant and the vice director of Finance Department of Yankuang Group in December 1999 and June 2002, respectively. He was appointed as the vice director and the director of the Finance Management Department of Yankuang Group in October 2008 and January 2014, respectively. He was appointed as the Supervisor of the Company in June 2016. Mr. Meng graduated from Party School of the Central Committee of C.P.C.
Xue Zhongyong	born in December 1964, a senior administrative officer with a master degree, is a Supervisor of the Company, the deputy secretary of the Discipline Inspection Commission and the director of Supervision Department of Yankuang Group. Mr. Xue joined the Company's predecessor in 1983, and was appointed as the director of the administrative office of the Discipline Inspection Department (the Supervision Department) of Yankuang Group in July 2008 and the deputy secretary of the Discipline Inspection Department and the director of the administrative office of the Discipline Inspection Department (the Supervision Department) of Yankuang Group in July 2014. He was appointed as the deputy secretary of the Discipline Inspection Commission and the director of Supervision Department of Yankuang Group in January 2016, and the Supervisor of the Company in June 2016. Mr. Xue graduated from Party School of Shandong Provincial Communist Committee.

Name	Major Work Experience
Jiang Qingquan	<p>born in December 1963, a professor level senior administrative officer and engineer with a master's degree, is an employee supervisor of the Company. Mr. Jiang joined the Company's predecessor in 1984 and served as the office director of Safety Supervision Bureau of Yankuang Group in 1994 (worked in Personnel Division of Yankuang Group from November 1996 to September 1997). He served as the vice president of Yankuang Group General Hospital in 1997(worked in Organization Department of Yankuang Group from June 1999 to January 2000). He served as the party committee secretary of the Railway Transportation Department of Yankuang Group in 2000. He served as the head and the deputy party committee secretary of the Railway Transportation Department in 2004. He was appointed as the general manager assistant of the Company in 2012 and the chairman of the trade union of the Company in March 2014. He was appointed as an employee Director of the Company in April 2014. Mr. Jiang graduated from the Qufu Normal University and the Party School of Shandong Provincial Communist Committee.</p>
Chen Zhongyi	<p>born in December 1965, is a professor-level senior administrative officer with a bachelor's degree, an employee Supervisor and the vice chairman of trade union of the Company. Mr. Chen joined the Company's predecessor in 1986 and served as the director of the Mass Work Department, the secretary of the Youth League Committee and the vice chairman of trade union in 2002. He was appointed as the vice chairman of trade union in 2008 and served as the director of Parties Working Department of the Company in March 2014. In April 2014, Mr. Chen was appointed as an employee Supervisor of the Company. Mr. Chen graduated from the Party School of CPC Shandong Provincial Committee.</p>
Liu Jian	<p>born in February 1969, a research fellow in applied engineering technology and a master of engineering, is the deputy general manager of the Company. Mr. Liu joined the Company's predecessor in 1992 and was appointed as the deputy head of Dongtan Coal Mine of the Company. He was appointed as the head of Jining No.3 Coal Mine and the head of Dongtan Coal Mine of the Company in 2014 and January 2016, respectively. In December 2016, he was appointed as the deputy general manager of the Company. Mr. Liu graduated from Shandong Mining Institute.</p>
Wang Fuqi	<p>born in May 1964, a research fellow in applied engineering technology with EMBA degree and master of engineering, serves as the chief engineer of the Company. Mr. Wang joined the Company's predecessor in 1985. In 2000, he was appointed as the chief engineer of Production and Technology Division of Yankuang Group. In 2002, he served as the director of Production and Technique Department of the Company. In 2003, he was appointed as the deputy chief engineer of the Company and director of Production and Technique Department of the Company. In March 2014, he served as the chief engineer of the Company. Mr. Wang graduated from Northeastern University and Nankai University.</p>

Name	Major Work Experience
Zhao Honggang	born in November 1965, a research fellow in applied engineering technology and master of engineering, serves as the deputy general manager of the Company. Mr. Zhao joined the Company's predecessor Company in 1987 and served as the deputy head of Dongtan Coal Mine of the Company in March 2006. In March 2009, he was appointed as the director of Electromechanical Department. In December 2013, he was appointed as the chairman and general manager of Shandong Huaju Energy Co., Ltd. In December 2014, he was appointed as the deputy general manager of the Company. Mr. Zhao graduated from Shandong University of Science and Technology.
An Manlin	born in May 1966, a senior engineer with a master of engineering, serves as the deputy general manager of the Company. Mr. An joined the Company's predecessor in 1989 and was appointed as the deputy head of Nantun Coal Mine of the Company in 2003, the vice director of Coal Sales & Marketing Center of the Company in 2010, the deputy general manager of Yancoal Yulin Nenghua Co., Ltd. in 2011, the director of the coal selection center of the Company in 2013, the party committee secretary and head of Baodian Coal Mine of the Company in 2014. In 2015, he was appointed as the director of Marketing Center of the Company, the general manager of Shandong Zhongyin international Trade Co., Ltd. He was appointed as the deputy general manager of the Company in 2016. Mr. An graduated from Xi'an University of Science and Technology.
Jin Qingbin	born in November 1977, a senior accountant, a senior economist and MBA, serves as the secretary to the Board of the Company. Mr. Jin joined the Company in 1998 and was appointed as the vice director and the director of the secretary office of the Board of the Company successively. He obtained the qualification of board secretary for listed companies in Shanghai Stock Exchange in November 2008, and the security representative of the Company in November 2013. In March 2016, he was appointed as the secretary to the Board of the Company. Mr. Jin graduated from Missouri State University.

(II) Share Incentive Mechanism to the Directors, Supervisors and Senior Management during the Reporting Period

Not applicable.

II. POSITIONS OF CURRENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(I) Term of Office of Directors, Supervisors and Senior Management in Yankuang Group

Name	The shareholding company	Title	Beginning date of office term
Li Xiyong	Yankuang Group	Chairman, Secretary of the Party Committee	15 February 2015
Li Wei	Yankuang Group	General manager	18 May 2015
Yin Mingde	Yankuang Group	Deputy general manager	11 December 2015
Wu Yuxiang	Yankuang Group	Deputy chief accountant, Director of Investment and Development Department	3 January 2016
Zhang Baocai	Yankuang Group	Director, member of Party's standing committee	30 October 2015
Zhang Shengdong	Yankuang Group	Deputy general manager	29 January 2014
		Director	18 May 2015
Gu Shisheng	Yankuang Group	Union chairman	29 January 2014
		Employee director	11 December 2015
		Member of Party's standing committee	30 October 2015
Meng Qingjian	Yankuang Group	Director of the Finance Management Department	5 March 2014
Xue Zhongyong	Yankuang Group	Deputy secretary of Discipline Inspection Department	28 July 2014
		Director of the Supervision Department	3 January 2016
Zhen Ailan	Yankuang Group	Deputy chief accountant, Director of Audit and Risk Management Department	5 March 2014
Explanation on their incumbency in Yankuang Group	As mentioned in the table, the term of office of Mr. Wu Yuxiang as the director of the Investment and Development Department of Yankuang Group ended at 24 February 2017, the term of office of Mr. Zhang Shengdong as the deputy general manager of Yankuang Group ended at the 18 May 2015, the term of office of Ms Zhen Ailan as the deputy chief accountant and the director of the Risk Management Department ended on 9 December 2015, and the term of office of Mr. Xue Zhongyong as the deputy secretary of the discipline inspection department and the director of the supervision department ended on 14 January 2017. And the others still remain in term of office in Yankuang Group.		

Chapter 08 Directors, Supervisors, Senior Management and Employees

(II) Term of Office of Directors, Supervisors and Senior Management in Other Entities in Addition to Yankuang Group

Name	Name of other entities	Title	Beginning date of office term
Li Xiyong	Yancoal Australia Limited	Chairman of the board	9 September 2013
	Yancoal International (Holding) Co., Ltd.	Chairman of the board	9 September 2013
Wu Xiangqian	Duanxin Investment Holding (Shenzhen) Co., Ltd	Chairman of the board	22 March 2016
Wu Yuxiang	Yanmei Heze Neng Hua Co., Ltd.	Director	14 May 2004
	Yancoal Australia Limited	Director	13 August 2005
Zhao Qingchun	Yanzhou Coal Shanxi Neng Hua Co., Ltd.	Director	15 June 2007
	Yancoal International (Holding) Co., Ltd	Director	1 September 2011
	Shandong Yancoal Shipping Co., Ltd	Chairman of the supervisory committee	14 December 2006
	Inner Mongolia Haosheng Coal Mining Co., Ltd.	Supervisor	19 November 2010
	Shengdi Fenlei Coal Preparation Engineering Technology (Tianjin) Co., Ltd.	Chairman of the supervisory committee	18 December 2014
	Shandong Duanxin Supply Chain Management Co., Ltd.	Supervisor	9 July 2015
	Shandong Zhongyin International Trade Co., Ltd	Head of the supervisory committee	9 July 2015
	Zhongyin Financial Leasing Co., Ltd	Chairman	21 October 2015
	Qilu Bank Co., Ltd	Director	31 December 2015
	Yankuang Group Finance Co., Ltd	Supervisor	20 November 2010
	Shanghai CIFCO Futures	Director	6 July 2015
	Shanxi Future Energy Chemical Co., Ltd	Chairman of the supervisory committee	19 May 2014
	Duanxin Investment Holding (Beijing) Co., Ltd	Director	17 November 2014
	Huadian Zouxian Power Generation Company Limited	Chairman of the supervisory committee	26 April 2016
Guo Dechun	Duanxin Investment Holding (Shenzhen) Co., Ltd	Director and General manager	22 March 2016
	Qingdao Duanxin Asset Management Co., Ltd	Executive director	3 August 2016
	Yancoal Ordos Nenghua Co., Ltd	Chairman, general manager and the deputy secretary of the Party's Committee	17 December 2015
Guo Jun	Inner Mongolia Haosheng Coal Mining Co., Ltd.	Chairman	17 December 2015
	Yancoal Yulin Nenghua Co., Ltd	Chairman and general manager	17 December 2015
Kong Xiangguo	Yancoal Heze Nenghua Co., Ltd	Head of the supervisory committee	26 July 2014
Jia Shaohua	CCTEG Xi'an Research Institute	External Director	11 May 2016
	Harbin Electric Corporation Jiamusi Electric Machine Co., Ltd.	Independent Director	1 July 2012
	JA Solar Holdings Co., Ltd.	Independent Director	17 October 2012
	Haima Automobile Group Co., Ltd.	Independent Director	14 November 2014
Wang Xiaojun	Zhuhai Letong Chemical Co., Ltd.	Independent Director	12 August 2013
	Oriental Patron Financial Investments Ltd.	Independent Director	20 August 2004
	China Aerospace International Holdings Ltd	Independent Director	22 March 2013
Zhang Shengdong	Livon Pharmaceutical Group Co., Ltd.	Independent director	16 September 2013
	Yanzhou Coal Shanxi Neng Hua Co., Ltd.	Chairman of the supervisory committee	15 June 2007
	Yankuang Group Finance Co., Ltd.	Chairman of the Board	20 July 2011
	Shanxi Future Energy Chemical Co. Ltd.	Director	22 January 2011

Chapter 08 Directors, Supervisors, Senior Management and Employees

Name	Name of other entities	Title	Beginning date of office term
Liu Jian	Shanxi Future Energy Chemical Co. Ltd.	Director	9 January 2017
	Yanmei Heze Neng Hua Co., Ltd	Director	15 March 2017
	Yanzhou Coal Shanxi Neng Hua Co., Ltd	Chairman	15 March 2017
Wang Fuqi	Yanmei Heze Neng Hua Co., Ltd.	Director	26 July 2014
	Yancoal Australia Limited	Director	23 April 2015
	Shanxi Future Energy Chemical Co. Ltd.	Director	19 May 2014
Zhao Honggang	Yankuang Donghua Heavy Industry Co., Ltd.	Executive Director	11 May 2015
An Manlin	Yanzhou Coal Shanxi Neng Hua Co., Ltd	Director	15 March 2017
	Shandong Duanxin Supply Chain Management Co., Ltd	Executive Director	15 March 2017
	Shandong Yancoal Rizhao Coal Storage and Blending Co., Ltd	Chairman	15 March 2017
	Shandong Coal Trading Center Co., Ltd.	Chairman	15 March 2017
	Shandong Zhongyin International Trade Co., Ltd	Chairman and General Manager	15 March 2017
	Shengdi Fenlei Coal Preparation Engineering Technology (Tianjin) Co., Ltd.	Chairman	15 March 2017
Explanations on term of office in other entities in addition to Yankuang Group	No		

III. REMUNERATION POLICY AND ANNUAL REMUNERATION FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Remuneration Policy for Directors, Supervisors and Senior Management	The remuneration for the Directors, Supervisors and senior management is proposed to the Board by the remuneration committee under the Board. Upon review and approval by the Board, any remuneration proposal for the Directors and Supervisors will be proposed to the Shareholders' general meeting for approval. The remuneration for the senior management is reviewed and approved by the Board.
Remuneration Calculating Basis for Directors, Supervisors and Senior Management	The Company adopts a combined annual remuneration, risk control and special contribution award system as the means for assessing and rewarding the Directors and senior management. The annual remuneration consists of annual basic salary and annual performance salary. The annual basic salary is determined according to the operational scale, profitability, operating management difficulty and employees' income of the Company, whereas annual performance salary is determined by the actual operational results of the Company. The annual basic salaries for the Directors and senior management of the Company are pre-paid on a monthly basis and the annual performance salaries are cashed after the audit assessment to be carried out in the following year.
Actual Payment of Remuneration for Directors, Supervisors and Senior Management	Please refer to the section headed Changes in Shareholding and Remuneration in this Chapter.
Total Remuneration received by Directors, Supervisors and Senior Management by the end of the reporting period	Please refer to the section headed Changes in Shareholding and Remuneration in this Chapter.

IV. ELECTION OR RESIGNATION OF DIRECTORS AND SUPERVISORS AND APPOINTMENT OR DISMISSAL OF SENIOR MANAGEMENT DURING THE REPORTING PERIOD

Name	Title	Changes	Causes for Change
Li Wei	Director, Vice Chairman	Elected	Work Allocation
Zhao Qingchun	Director	Elected	Work Allocation
	Chief Financial Officer	Appointed	Work Allocation
Guo Dechun	Director	Elected	Work Allocation
Guo Jun	Employee Director	Elected	Work Allocation
	Employee Supervisor	Resigned	Work Allocation
Qi Anbang	Independent Director	Elected	Work Allocation
Kong Xiangguo	Independent Director	Elected	Work Allocation
Meng Qingjian	Supervisor	Elected	Work Allocation
Xue Zhongyong	Supervisor	Elected	Work Allocation
Jiang Qingquan	Employee Supervisor	Elected	Work Allocation
	Employee Director	Resigned	Work Allocation
Wu Xiangqian	General Manager	Appointed	Work Allocation
Liu Jian	Deputy General Manager	Appointed	Work Allocation
An Manlin	Deputy General Manager	Appointed	Work Allocation
Jin Qingbin	Secretary to the Board	Appointed	Work Allocation
Yin Mingde	Director	Resigned	Work Allocation
Zhang Baocai	Director, deputy general manager, secretary to the Board	Resigned	Work Allocation
Wang Lijie	Independent Director	Resigned	Health problem
Xue Youzhi	Independent Director	Resigned	Work Allocation
Zhen Ailan	Supervisor	Resigned	Work Allocation
Wu Yuxiang	Chief Financial Officer	Resigned	Work Allocation
Shi Chengzhong	Deputy General Manager	Resigned	Retirement
Liu Chun	Deputy General Manager	Resigned	Retirement
Ding Guangmu	Deputy General Manager	Resigned	Retirement

(I) Changes of Members of the Sixth Session of the Board

Mr. Xue Youzhi, the independent director, has tendered his resignation to the Board on 30 December 2015. Pursuant to relevant regulations of the Ministry of Education, he proposed to resign from the position of independent director and other relevant positions in the special committee to the Board. And he stopped to perform his duties of independent director from the end of 2015 annual general meeting held on 3 June 2016.

Due to work allocation, Mr. Yin Mingde and Mr. Zhang Baocai, the Directors of the Company, have tendered their resignations to the Company to resign from positions of the Directors and other relevant positions in the special committee to the Board on 29 March 2016. They stopped to perform their duties of Directors from the end of 2015 annual general meeting held on 3 June 2016.

As approved at 2015 annual general meeting held on 3 June 2016, Mr. Li Wei, Mr. Zhao Qingchun and Mr. Guo Dechun were elected as the non-independent directors of the Company, and Mr. Qi Anbang was elected as the independent director of the Company, with terms from end of 2015 annual general meeting to the end of the general meeting for election of directors of seventh session of the Board.

As approved at the congress of workers and staff held on 3 June 2016, Mr. Guo Jun was elected as the employee director. Mr. Jiang Qingquan stopped to perform his duty of employee director.

Mr. Wang Lijie, the independent director of the Company, has tendered his resignation to the Company on 13 August 2016. Due to his health problem, Mr. Wang applied for resignation from position of independent director and other relevant positions in the special committee to the Board. He stopped to perform his duty of independent director from the end of the first extraordinary general meeting of 2017 held on 10 March 2017.

As approved at the first extraordinary general meeting of 2017 held on 10 March 2017, Mr. Kong Xiangguo was elected as the independent director of the Company, with the term from the end of the first extraordinary general meeting of 2017 to the end of the general meeting for election of directors of seventh session of the Board.

(II) Changes of Members of the Sixth Session of the Supervisory Committee

Due to work allocation, Ms. Zhen Ailan, the Supervisor of the Company has tendered resignation to the Company. She resigned from the position of Supervisor of the Company on 29 March 2016.

As approved at 2015 annual general meeting held on 3 June 2016, Mr. Meng Qingjian and Mr. Xue Zhongyong were elected as the Supervisors of the Company, with the term from end of 2015 annual general meeting to the end of the general meeting for election of Supervisors of seventh session of the Supervisory Committee.

As approved at the congress of workers and staff held on 3 June 2016, Mr. Jiang Qingquan was elected as the employee Supervisor of the Company. Mr. Guo Jun stopped to perform his duty of employee Supervisor of the Company.

(III) Changes of Members of the Sixth Session of Senior Management

As approved at the fifteenth meeting of the sixth session of the Board held on 6 January 2016, Mr. Wu Xiangqian was appointed as the general manager of the Company and Mr. Zhao Qingchun was appointed as the chief financial officer of the Company. Mr. Wu Yuxiang stopped to perform his duty of the chief financial officer.

Due to work allocation, Mr. Zhang Baocai, the original deputy general manager and secretary to the Board, has tendered resignation to the Company. He resigned from the positions of the deputy general manager and secretary to the Board of the Company on 29 March 2016.

As approved at seventeenth meeting of the sixth session of the Board held on 29 March 2016, Mr. Jin Qingbin was engaged as the secretary to the Board of the Company, and Ms. Leung Wing Han Sharon was engaged as co-secretary of the Company.

As approved at the twenty-seventh meeting of the sixth session of the Board held on 30 December 2016, Mr. Liu Jian and Mr. An Manlin were engaged to be the deputy general managers of the Company. Mr. Shi Chengzhong, Mr. Liu Chun and Mr. Ding Guangmu reached their ages of retirement and resigned from the positions of deputy general managers of the Company.

Except information disclosed above, there is no any other changes in election or resignation of directors and supervisors, nor appointment or dismissal of senior management during the reporting period.

V. PENALTY BY SECURITY REGULATORY AUTHORITIES IN RECENT THREE YEARS

During the reporting period, no punishment was imposed by the security regulatory authorities to the current or resigned Directors, Supervisors and senior management of the Company in recent three years.

VI. EMPLOYEES OF THE GROUP AND ITS SUBSIDIARIES

(I) Employees

	Unit: person(s)
On-the-job Employees of the Group	51,223
On-the-job Employees of its subsidiaries	17,327
Total on-the-job Employees	68,550
Total resigned and retired staff whose welfare fees shall be paid by the Group and its subsidiaries	25,545
Composition by Speciality	
Speciality	Number
Production personnel	38,748
Sales personnel	446
Technical personnel	4,952
Financial personnel	506
Administrative staff	4,423
Auxiliary personnel	19,475
Total	68,550
Education Level	
Education Level	Number (Persons)
College and higher degree	23,875
High school degree	24,182
Junior high school and lower degree	20,493
Total	68,550

(II) Remuneration Policy

The total wages and allowances of the staff of the Group for the year 2016 amounted to RMB5.584 billion. For the details of remuneration policy for directors, supervisors and senior management, please refer to the section headed *Remuneration Policy and Annual Remuneration for Directors, Supervisors and Senior Management* in this chapter.

The Group adopts a post performance salary system for employees other than directors, supervisors and senior management, which consists post basic salary and post performance salary. The post performance salary is cashed upon assessment of individual post performance while putting the overall economic benefit of the Company into consideration.

(III) Training Plan

The Group values employee training in respect of technical skills and professional competence. By making full use of various educational resources, training institutes and various ways of training, the Group focused on the training of professional skills and improved the trainings of political ideology, management, ongoing education, skills, safety, transfer-employment talent, pre-employment and others. In 2016, it was planned that 59,841 people would participate off-job training and it turned out 60,181 people participated, representing 100.57% of the plan completed.

(IV) Labor Outsourcing

Not applicable.

(V) Welfare Policy

Pursuant to the “Provision of Labor and Services Agreement” signed between the Company and Yankuang Group, Yankuang Group shall provide welfare services to the resigned and retired staff of the Company, while the Company shall pay corresponding welfare fees (including welfare expenses required by the PRC such as housing allowance, subsidies and other benefits) to Yankuang Group. During the reporting period, the total number of resigned and retired staff of which the Group was responsible for their welfare payment was 25,545.

VII. OTHERS

(I) Service Contracts of Directors and Supervisors

No Director or Supervisor has entered into any service contract with the Company, which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

(II) Interests of Directors, Supervisors and Senior Management in Contracts

None of the Directors, Supervisors or senior management of the Company had a direct or indirect material interest in any material contract entered into or performed by the Company, its Controlling Shareholder, any of its subsidiaries or subsidiaries of its controlling shareholder during the year ended 31 December 2016.

(III) Directors’, Supervisors’ and Senior Managements’ Interest in Competing Business

As at 31 December 2016, none of the Directors, Supervisors or senior management has interests in any business that competes or is likely to compete, either directly or indirectly, with the business of the Company.

Except for their working relationship, there is no financial, business, family or any other material relationship between the Directors, Supervisors and senior management of the Company.

I. RELATED INFORMATION ON CORPORATE GOVERNANCE

The Company has closely monitored the securities market standards and rule of law, and has actively improved its corporate governance structure during the reporting period as follows:

As reviewed and approved at the 2015 annual general meeting held on 3 June 2016, the Company made amendments to terms in relation to total share capital in the Articles of the Company based on H shares repurchase in year 2015. For details, please refer to the announcement in relation to Reduction of Registered Capital and Amendments to the Articles dated 29 March 2016, the circular dated 25 April 2016, and the meeting materials for the 2015 annual general meeting dated 27 May 2016. The above materials were also posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Company and/or China Securities Journal and Shanghai Securities News.

As reviewed and approved at the 2016 first extraordinary general meeting of the Company dated on 19 August 2016, the Company made further amendments to the terms in relation to distribution of dividends of the Articles in accordance with the Notice on the Further Implementation of Matters Related to the Listed Company's Cash Dividends, the Regulatory Guideline No.3 on Listed Company – Listed Company's Cash Dividends promulgated by CSRC and the Guideline on Listed Company's Cash Dividends promulgated by the Shanghai Stock Exchange. For details, please refer to the announcement in relation to amendments to the Articles, the announcement in relation to resolutions passed at the twenty-second meeting of the sixth session of the Board dated 16 June 2016, the circular dated 25 July 2016 and the meeting materials for the 2016 first extraordinary general meeting dated 12 August 2016. The above materials were also posted on the websites of the Shanghai Stock Exchange and Hong Kong Stock Exchange, and the Company and/or China Securities Journal and Shanghai Securities News.

As reviewed and approved at the fifteenth meeting of the sixth session of the Board held on 6 January 2016, pursuant to the regulations of the Hong Kong Stock Exchange, the Company made amendments to the terms of reference for the Audit Committee to the Board of Yanzhou Coal Mining Co., Ltd., in which risk management responsibility was included. For details, please refer to the announcement in relation to the resolutions passed at the fifteenth meeting of the sixth session of the Board dated 16 January 2016. The above announcement was also posted on the websites of the Shanghai Stock Exchange and Hong Kong Stock Exchange, and the Company and/or China Securities Journal and Shanghai Securities News.

As reviewed and approved at the twenty-second meeting of the sixth session of the Board of the Company held on 16 July 2016, the Company made amendments to the Working Scheme of Board Secretary of Yanzhou Coal Mining Co., Ltd. in accordance with relevant amendments made in Listing Rules of the Shanghai Stock Exchange and Regulations on Board Secretary of Listed Company of Shanghai Stock Exchange.

Whether there is significant difference between the corporate government of the Company and the requirements in relevant documents detailed by the CSRC. If any, the reason should be stated.

Not Applicable

Since the listing of the Company, in accordance with PRC Corporate Law, PRC Securities Law, foreign and domestic laws and regulations in places where the Company's shares are traded, the Company has set up a relatively regulated and stable corporate governance system. There is no significant difference between the corporate governance system and the requirements in relevant documents detailed by the CSRC.

II. SHAREHOLDERS' GENERAL MEETING DURING THE REPORTING PERIOD

Session and Number of Meeting	Date of Meeting	Designated Website on which Resolutions Posted	Date of Resolution Disclosed
The 2015 Annual General Meeting	3 June 2016	Website of the Shanghai Stock Exchange: (http://www.sse.com.cn)	4 June 2016
The First Class Meeting of the Holders of A shares for year 2016	3 June 2016	Website of the Hong Kong Stock Exchange: (http://www.hkexnews.hk)	4 June 2016
The First Class Meeting of the Holders of H shares for year 2016	3 June 2016	Website of the Company: (http://www.yanzhoucoal.com.cn)	4 June 2016
The 2016 first extraordinary shareholders' meeting	19 August 2016		20 August 2016
The Second Class Meeting of the Holders of A shares for year 2016	19 August 2016		20 August 2016
The Second Class Meeting of the Holders of H shares for year 2016	19 August 2016		20 August 2016

III. PERFORMANCE OF DIRECTORS

(I) Director's Attendance of the Board Meeting and the General Meeting of Shareholders

Name of Directors	Whether Independent Director or Not	Times of Present/ Times Shall Attend	Attendance at the Board Meetings				Attendance at the General Meetings	
			Times of Present at Person	Times of Present via Telecomm-unication	Times of Present by Proxy	Times of Absent	Whether	Times of Present/ Times shall attend
							Absent From Two Consecutive Meetings	
Li Xiyong	No	13/13	13	12	0	0	no	6/6
Li Wei	No	8/8	8	7	0	0	no	0/3
Wu Xiangqian	No	13/13	13	12	0	0	no	6/6
Wu Yuxiang	No	13/13	13	12	0	0	no	3/6
Zhao Qingchun	No	8/8	8	7	0	0	no	3/3
Guo Dechun	No	8/8	8	7	0	0	no	3/3
Guo Jun	No	8/8	8	7	0	0	no	3/3
Kong Xiangguo	Yes	0/0	0	0	0	0	no	0/0
Jia Shaohua	Yes	13/13	13	12	0	0	no	6/6
Wang Xiaojun	Yes	13/13	13	12	0	0	no	6/6
Qi Anbang	Yes	8/8	8	7	0	0	no	0/3
Yin Mingde (resigned)	No	5/5	5	5	0	0	no	3/3
Zhang Baocai (resigned)	No	5/5	5	5	0	0	no	0/3
Jiang Qingquan (resigned)	No	5/5	5	5	0	0	no	3/3
Wang Lijie (resigned)	Yes	13/13	13	12	0	0	no	3/6
Xue Youzhi (resigned)	Yes	5/5	5	5	0	0	no	0/3
Times of Board meetings held during the reporting year					13			
of which: Site meetings					1			
Meetings via telecommunication					11			
Site meetings combined with telecommunication					1			

(II) Independent Directors' Opposing Opinions against Relevant Matters of the Company

During the reporting period, the independent directors of the Company have not made any opposing opinion against the proposals or relevant matters of the Company for the reporting year.

IV. DISCLOSURES ON OPPOSING OPINIONS GIVEN BY THE COMMITTEES TO THE BOARD DURING THE REPORTING PERIOD, IF ANY

Not Applicable.

V. RISKS IDENTIFIED BY THE SUPERVISORY COMMITTEE OF THE COMPANY

During the reporting period, all Supervisors of the Company have, in accordance with the Corporate Law, the Articles and the Working Rules of the Supervisory Committee, faithfully performed their duties, safeguarded the rights and interests of the Company and all its shareholders and carried out works under principle of good faith.

The Supervisory Committee of the Company had no objections to the supervisory items during the reporting period, and confirmed no risks existing in the company during the reporting period.

VI. THE COMPANY'S SEPARATE BUSINESS, PERSONNEL, ASSETS, ORGANIZATION AND FINANCE FROM ITS CONTROLLING SHAREHOLDERS

The Company and the controlling Shareholders are separated in terms of the business, personnel, assets, organization and finance. Each function is independent and can operate on its own.

RELEVANT SOLUTION, WORK SCHEDULE AND FOLLOW-ON WORK PLAN ON CONTROLLING SHAREHOLDERS WITH HORIZONTAL COMPETITION

Not applicable.

VII. THE ESTABLISHMENT AND IMPLEMENTATION OF THE APPRAISAL AND MOTIVATION SYSTEM FOR SENIOR MANAGEMENT DURING THE REPORTING PERIOD

The Company has adopted an appraisal and motivation system combined annual remuneration, risk control and special contribution award in the senior management, which links the assessment results of the senior management with the economic and operational achievement of the Company. In accordance with the relevant operation and management indicators and standards, the Company assesses, rewards or penalizes the performance and efficiency of the senior management. Pursuant to the completion of the operation indicators of the senior management and the results of the assessment, the Company would pay the remuneration to the senior management for the year 2016.

VIII. REPORT OF SELF-EVALUATION ON INTERNAL CONTROL

In accordance with the domestic and overseas listing regulatory requirements, the Company formulated the Design and Applications on Internal Control of Yanzhou Coal in 2006, establishing an effective operating internal control system.

In 2011, in accordance with the relevant requirements under the “General Rules on Internal Control for Enterprises” and the “Supporting Guidelines of Internal Control for Enterprises” jointly issued by five ministries including Ministry of Finance, and the regulatory requirements of places where the Company are listed, the Company has made arrangements regarding internal control procedures and systems to its subordinate departments and subsidiaries, and their businesses. On the basis of 18 provisions in the Supporting Guidelines of Internal Control, seven new provisions on production, inventory, taxation, legal affairs, etc., were added according to the practical conditions of the Company, which further improved and strengthened the internal control system. The Board and its subordinate special committees are responsible for the establishment and effective implementation of internal control system; the Supervisory Committee is responsible for supervision of the internal control system established and implemented by the Board; the management is responsible for the organization and management of the daily operation of internal control.

The Board has assessed the effectiveness of the Company’s internal control system once a year since 2007. At the thirtieth meeting of the sixth session of the Board held on 31 March 2017, the Board made an assessment on the effectiveness of the internal control systems of the Company for the year 2016. The Board considered that the internal control system of the Company is sound and has been implemented effectively and no major defect was found in the design of the internal control or its implementation.

The report of self-evaluation on internal control of the Company was posted on the Shanghai Stock Exchange website, the Hong Kong Stock Exchange website and the Company’s website.

IX. THE ASSESSMENT OF THE COMPANY’S INTERNAL CONTROL SYSTEM BY THE AUDITORS

The Company has appointed domestic annual auditing accountants since 2013 to make a review and assessment on whether the internal control of the Company complied with the domestic regulatory requirements and the efficiency of internal control of the financial statements.

The Company appointed Shine Wing Certified Public Accountants (special general partnership) to make a review and assessment of the efficiency of internal control of the 2016 financial statements. Shine Wing Certified Public Accountants considered that at 31 December 2016, in accordance with the requirements of General Rules on Internal Control for Enterprises and related regulations, the Company maintained efficient internal control of financial statement in all material aspects.

The audit report of the internal control of the 2016 financial statement report issued by the domestic annual auditing accountants was posted on the Shanghai Stock Exchange website, the Hong Kong Stock Exchange website and the Company’s website.

X. CORPORATE GOVERNANCE REPORT (PREPARED IN ACCORDANCE WITH THE HONGKONG LISTING RULES)

(I) Compliance with Corporate Governance Practices

The Group has set up a relatively regulated and stable corporate governance system and has abided by the corporate governance principles of transparency, accountability and protection of the rights and interests of all Shareholders.

The Board believes that good corporate governance is important to the operation and development of the Group. The Board regularly reviews corporate governance practices to ensure the Company's operation is in compliance with the laws, regulations and supervisory rules of places where the Company are listed, and consistently endeavors to implement a high standard of corporate governance.

The corporate governance rules implemented by the Group include, but not limited to the following: the Articles, the *Rules of Procedures for Shareholders' General Meeting*, the *Rules of Procedures for the Board of Directors*, the *Rules of Procedures for Supervisory Committee*, the *Work Policy of the Independent Directors*, the *Rules for Disclosure of Information*, the *Rules for the Approval and the Disclosure of Connected Transactions* of the Company, the *Rules for the Management of Relationships with Investors*, the *Code for Securities Transactions of the Management*, the *Standard of Conduct and Professional Ethics for Senior Employees*, the *Measures on the Establishment of Internal Control System and the Measures on Overall Risk Management*. For the year ended 31 December 2016 and as of the date of this annual report, the corporate governance rules and practices of the Group are compliant with the principles and the code provisions set out in the Corporate Governance Code ("the Code") contained in the Hong Kong Listing Rules. Some of the corporate governance practices adopted by the Group are more stringent than the Code.

The following are the major aspects of the corporate governance practice adopted by the Group:

- To actively carry forward the development of the special committees to the Board. Besides the requirement to establish the audit committee to the Board (the "Audit Committee"), the remuneration committee to the Board (the "Remuneration Committee") and the nomination committee to the Board (the "Nomination Committee") as set out in the Code, the Company also established the strategy and development committee to the Board (the "Strategy and Development Committee"). All these committees were entrusted with detailed responsibilities;
- To formulate more stringent provisions in the Code for Securities Transactions of the Management, and the Standard of Conduct and Professional Ethics of the Senior Employees than those of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code");
- To establish an internal control system in accordance with the Guidance on Internal Control for Listed Companies issued by the Shanghai Stock Exchange, General Rules on Internal Control jointly issued by five ministries including the Chinese Ministry of Finance and the provisions under the Code. The standards of the internal control system are more detailed than those of the Code;

- To announce the evaluation conclusions of the Board and auditors in relation to the effectiveness of internal control of the Company for the year 2016;

During the reporting period, the Company has strictly complied with the above corporate governance practices, there's no significant difference between the conditions of the Company complied with the Code with the Annual Report 2016 except the Code A.2.1 in "Chairman and Chief Executive Officer" of this chapter.

(II) Securities Transactions of Directors and Supervisors

Having made inquiries with all the Directors and Supervisors, the Directors and Supervisors have strictly complied with the Model Code and the Code for Securities Transactions of the Management of the Company during the reporting period.

On 21 April 2006, the Code for Securities Transactions of the Management was approved at the fifth meeting of the third session of the Board. On 23 April 2010, the Code for Securities Transactions of the Management was amended at the fourteenth meeting of the fourth session of the Board. The relevant requirements relating to the securities transactions under the PRC domestic laws, regulations and supervisory requirements are included in the Code for Securities Transactions of the Management, which is drafted based on the Model Code, but is more stringent than the Model Code.

(III) Board of Directors

As at the disclosure date of this annual report, the Board comprises eleven Directors including four independent non-executive Directors. The names, appointments and resignations of the Directors are set out in "Chapter 8 Directors, Supervisors, Senior Management and Employees" in this annual report.

The duties and authorities of the Board and the management team have been documented in details in the Articles.

The Board is mainly responsible for making strategic decisions of the Company and the supervision of operations of the Company and its management team. The Board primarily has the powers to decide on operation plans and investment policy, to formulate the policy for financial decision and distribution of profits, to implement and review the internal control system, to execute the duty of corporate governance and to confirm the management organization and the basic management system of the Company, etc.

The management team of the Company is mainly responsible for the operation and management of the production of the Company and shall exercise the following functions and powers: to be in charge of the operation and management of the Company's production; to organize the implementation of the resolutions of the Board; to organize the implementation of the Company's annual business plan and investment proposal; to draft plans for the Company's internal management organization; to draft the Company's basic management system; to protocol a package of staff's salaries, benefits, awards and penalties, and to decide the appointment and dismissal of the staff of the Company, etc.

The Company has received from each of the independent non-executive Directors an annual confirmation concerning his independence pursuant to the Hong Kong Listing Rules. The Company confirms that all of the four independent non-executive Directors comply with the qualification requirements of independent non-executive Directors as required under the Hong Kong Listing Rules.

The Directors are responsible for preparing the Company's financial accounts as a true and fair reflection of the Company's financial situation, operating results and cash flows for the relevant accounting period.

Since 2008, the Company has purchased liability insurance for the Directors, Supervisors and senior management of the Company and its subsidiaries every year.

(IV) Board Meetings and Director's Training

According to the Articles and the *Rules of Procedures for the Board of Directors*, all Directors are entitled to propose matters to be included in the agenda for Board meetings. The Company delivered the meeting notice to the Directors fourteen days before an ordinary Board meeting or three days before an extraordinary Board meeting; circulated the agenda and information for discussion of the meeting to the Directors for their review five days before an ordinary Board meeting or three days before an extraordinary Board meeting; kept detailed minutes of the matters considered and the decisions formed by each Director in the meetings; sent the draft versions and the final versions of the minutes of Board meetings to all Directors for their comments and records respectively within a reasonable time after the Board meetings were held. Each Director is entitled to inspect the minutes of Board meetings kept by the Company at any reasonable time.

The Board and each Director has independent channels to communicate with the senior management of the Company. Any of the Directors is entitled to inspect the files and relevant documents of the Board.

The Company has set up a unit under the Board, through which all Directors are able to access the services of the Secretary to the Board. The Board is entitled, at the Company's expense, to seek independent professional advice for its Directors in appropriate circumstances. When the Board considers connected transactions, any connected Director would abstain from voting on such transactions.

For the year ended 31 December 2016, thirteen Board meetings were held. For the Directors' attendance at the Board meetings and the Shareholders' general meetings, please refer to the section headed "Performance of Directors" in this chapter.

All the Directors were involved in the continued professional development to strengthen their knowledge and skills and make greater contributions to the Board.

The training of Directors during the reporting period is as follows:

Name	Training
Li Wei, Zhao Qingchun	attended the 2016 first training for Directors and Supervisors of Shandong listed companies held in Longkou, Shandong from 14 July 2016 to 15 July 2016.
Wu Xiangqian, Guo Dechun, Guo Jun	attended the 2016 second training for Directors and Supervisors of Shandong listed companies held in Jinan, Shandong from 14 November 2016 to 16 November 2016.
Li Xiyong, Zhao Qingchun	attended the 2016 second training class for chairman of the board and general manager organized by the CSRC and China Association for Public Companies in Chongqing from 12 May 2016 to 13 May 2016.
Zhao Qingchun	attended the 2016 third follow-up training for chief financial officer organized by the SSE in Changsha, Hunan from 12 September 2016 to 14 September 2016.

(V) Chairman and Chief Executive Officer

Mr. Li Xiyong serves as the chairman of the Board of the Company (the “**Chairman**”), and Mr. Wu Xiangqian is the general manager of the Company (the “**General Manager**”). The authorities and responsibilities of the Chairman and the General Manager are clearly divided. Details of such authorities and responsibilities of the Chairman and the General Manager are documented in the Articles.

The duties of the Chairman of the Board include, but are not limited to, (1) to ensure the efficient operation of the Board; (2) to check on the implementation of resolutions passed by the Board; (3) to formulate and continuously improve the corporate governance rules and procedures; (4) to convene and preside over meetings of the Board and ensure that all Directors are properly informed of the current issues and timely acquire complete, accurate and sufficient information at the Board meetings and have sufficient opportunities to speak and express different opinions; (5) to ensure the constructive relationship and efficient communications between the Company and investors, executive Directors and non-executive Directors.

Under section A.2.1 of the Code (including), the role of Chairman and chief executive officer should be separate and should not be performed by the same individual. From 7 December 2015 to 6 January 2016, before the new General Manager was appointed, as the former General Manager, Mr. Yin Mingde resigned on 7 December 2015, the Chairman, Mr. Li Xiyong was elected as the temporary General Manager during this period, which, in the view of the Company, has no significant impact on the Company’s overall governance.

(VI) Non-Executive Directors

Each of the non-executive Directors has entered into a service contract with the Company. Pursuant to the Articles, the term of office of the members of the Board (including the non-executive Directors) is three years. The members of the Board can be reappointed consecutively after the expiry of the term. However, the term of reappointment of independent non-executive Directors cannot exceed six years.

The duties of the non-executive Director's include, but are not limited to, the followings:

- to participate in the Board meetings of the Company, provide independent advice on matters involving strategy, policy, performance of the Company, accountability, resources, main appointments and codes of conduct;
- to play a leading and guiding role in the event of potential conflicts of interest;
- to act as members of the Audit Committee, Remuneration Committee, Nomination Committee and Strategy and Development Committee;
- to scrutinize whether the performance of the Company achieves its objectives and targets, supervise and report the performance of the Company.

(VII) Committees to the Board

As approved at the first meeting of the sixth session of the Board held on 14 May 2014, the Company set up the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy and Development Committee of the sixth session of the Board. All of the special committees to the Board formulate the terms of reference which set out the role, composition and responsibilities of each committee. During the reporting period, every committee performed its duties in compliance with the terms of reference strictly.

As the Company has not established a corporate governance committee, the Board is responsible for matters in relation to corporate governance, including (1) to develop and review the Company's policies and practices on corporate governance; (2) to review and monitor the training and continuous professional development of directors and senior management; (3) to review and monitor the Company's policies and practices in relation to their compliance with legal and regulatory requirements; (4) to formulate, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and (5) to review the Company's compliance with the Corporate Governance Code of the stock exchange on which the Company's securities are listed and disclosure in the Corporate Governance Report.

Audit Committee to the board

The Audit Committee comprises four independent Directors, namely Mr. Jia Shaohua, Mr. Kong Xiangguo, Mr. Wang Xiaojun, Mr. Qi Anbang and one employee Director Mr. Guo Jun. Mr. Jia Shaohua serves as the chairman of the Audit Committee.

The Audit Committee's main responsibilities include recommending the appointment or replacement of external auditor, reviewing the accounting policy, financial information disclosure and financial reporting procedures, and reviewing financial monitor and control system, internal control system and risk management system of the Company.

During the reporting period, the Audit Committee conscientiously fulfilled the responsibilities specified in the Terms of Reference of the Audit Committee and conducted various tasks in a strict and regulated manner. The Audit Committee already reviewed the interim results of the Company for the first half of 2016 and the final results of the Company for the year 2016, and also examined the effectiveness of the risk management and the internal control system of the Group for year 2016. The examination covered financial, operational, compliance and all other material controls. The Audit Committee considered that the risk management and the internal control system of the Group is effective and adequate.

During the reporting period, the Audit Committee held four meetings. Details are as follows:

Date	Main Topic	Member	Present
22 March 2016	Reviewed the annual results of the Company for the year 2015; Discussed the re-appointment of the accountants and their remuneration for the year 2016; Debriefed the accountants' report on financial report and the work progress of the internal control system.	Jia Shaohua	√
		Wang Lijie	√
		Wang Xiaojun	√
		Xue Youzhi	√
		Jiang Qingquan	√
24 August 2016	Shine Wing Certified Public Accountants and Grant Thornton made debriefing and communications regarding the problems found in the 2016 interim auditing.	Jia Shaohua	√
		Wang Lijie	√
		Wang Xiaojun	√
		Qi Anbang	√
		Guo Jun	√
26 December 2016	The management team of the Company reported to the Audit Committee regarding to the operation and management of 2016 and the Company's financial policy, internal audit, risk management, anti-fraud practices, etc.	Jia Shaohua	√
		Wang Lijie	√
		Wang Xiaojun	√
		Qi Anbang	√
		Guo Jun	√
23 January 2017	Put forward a proposal on the change of 2016 overseas accountant and its remuneration and submitted to the Board and ordinary shareholders' meeting to consider and review	Jia Shaohua	√
		Wang Lijie	√
		Wang Xiaojun	√
		Qi Anbang	√
		Guo Jun	√

Note: As considered and approved by the twenty-ninth meeting of sixth session of the Board held on 10 March 2017, Mr. Kong Xiangguo was elected as the member of Audit Committee of the sixth session of the Board.

On 23 February 2017, the Audit Committee held the meeting, discussed with the accountants who are responsible for the annual audit on the timeline for 2016 annual audit of the Company and the compilation plan for 2016 financial report and urged the accounting firm to submit the 2016 audit report within the scheduled time.

On 10 March 2017, the Audit Committee asked the Audit&Risk Management Department and Finance Management Department to urge the accountants who are responsible for the annual audit to submit the audit report as soon as possible.

The Audit Committee reviewed the unaudited financial report and the financial report with preliminary audit opinion in time and formed written opinions.

On 24 March 2017, the Audit Committee held the special meeting, debriefed the main problems and improving suggestions discovered in the audit work for 2016 annual report from the accountants who are responsible for the annual audit. The 2016 financial report was decided by vote and submitted to the Board for review after forming the resolution.

Remuneration Committee to the Board

The Company established the Remuneration Committee to the Board (“the Remuneration Committee”). The sixth session of Remuneration Committee is comprised of three members, namely Mr. Qi Anbang, Mr. Wang Xiaojun and Mr. Guo Jun. Mr. Qi Anbang serves as the chairman of the Remuneration Committee.

The Remuneration Committee is mainly responsible for formulating remuneration policies for the Directors, Supervisors and senior management, and recommending to the Board the remuneration plans for the Directors, Supervisors and senior management.

1. The Assessment and Payment of the Remuneration of the Directors, Supervisors and Senior Management for 2015

Pursuant to the Proposal on Remuneration for Directors, Supervisors and the Senior Management for the Year 2015, which passed at the seventeenth meeting of the sixth session of the Board held on 27 March 2016, and with reference to the operation results of the Company for the year 2015, the remuneration of the Directors, Supervisors and senior management for 2015 were reviewed and paid in accordance with the relevant procedures.

2. The Review of the Performance of the Directors, Supervisors and Senior Management in 2016

In accordance with relevant domestic and international supervisory regulations, the internal control system and the Terms of Reference of the Remuneration Committee, the Remuneration Committee has reviewed the remuneration of the Directors, Supervisors and senior management as disclosed by the Company for the year 2016.

Pursuant to the Remuneration Standards and Operation Assessment Methods for the Directors, Supervisors and Senior Management of the Company, and having considered the key financial indicators and the results of the operating objectives for the year 2016, the division of work and the key responsibilities of the Directors, Supervisors and senior management, as well as the performance targets of the Directors, Supervisors and senior management, the Remuneration Committee has reviewed the performance of the Directors, Supervisors and senior management and made comparisons with the requirements of their performance appraisals. The Remuneration Committee believed that:

The Company determined the remuneration standards for the Directors, Supervisors and senior management of the Company for the year in accordance with the unified remuneration management system. The remuneration management system and the assessment and reward measures of the Company are in the interest of the employees of the Company and consistent with the principles of more pay for more work and the linkage with performance.

3. The Review of the Company's Remuneration Disclosure

The Remuneration Committee reviewed the remuneration of the Directors, Supervisors and senior management as disclosed in this annual report and found the disclosure was consistent with the actual payments made. The disclosure of the remuneration of the Directors, Supervisors and senior management complied with the remuneration management system and was not in violation of the remuneration management system nor was it inconsistent with the remuneration management system.

As at the disclosure date of this annual report, the Remuneration Committee held one meeting. Details are as follows:

Date	Main Topic	Members	Present
29 March 2017	1. discussed and reviewed the Proposal on Remuneration for Directors, Supervisors and Senior Management for the Year 2017;	Qi Anbang	√
		Wang Xiaojun	√
		Guo Jun	√
	2. discussed and reviewed the Remuneration Standards and Operation Assessment Target for the Directors, Supervisors and Senior Management		

Nomination Committee to the Board

The Nomination Committee is comprised of two independent Directors, namely Mr. Wang Xiaojun and Mr. Kong Xiangguo, and Mr. Li Xiyong, the Chairman of the Company. Mr. Wang Xiaojun serves as the chairman of the Nomination Committee.

The main duties of the Nomination Committee are: (1) to recommend to the Board on the structure, the number of Directors and the composition of the Board according to the operation, asset scale and share structure of the Company, to realize the diversity of the Board members by considering the related factors including but not limited to gender, age, culture and education background, professional experience, skills and service year, etc., according to the Company's business model and specific needs; (2) to study and formulate the selection criteria and procedures for Directors and senior management, and make relevant recommendations; (3) to extensively identify eligible candidates for the positions of Directors and senior management of the Company, and make relevant recommendations to the Board; (4) to review the candidates for Directors and senior management, and to recommend to the Board on the proposed appointments and the succession plan of Directors and senior management and other relevant matters; (5) to assess the independence of independent non-executive Directors.

As at the disclosure date, the Nomination Committee held four meetings. The details are as follows:

Date	Main topic	Member	Present
22 March 2016	The fourth meeting of the sixth session of the Nomination Committee to the Board reviewed and passed the nomination of Mr. Li Wei, Mr. Guo Dechun and Mr. Zhao Qingchun as the candidates for non-independent Directors of the sixth session of the Board; Mr. Qi Anbang as the candidate for independent Director of the sixth session of the Board, and Mr. Jin Qingbin as the candidate for secretary to the Board.	Wang Xiaojun Li Xiyong Wang Lijie	√ √ √
3 June 2016	The fifth meeting of the sixth session of the Nomination Committee to the Board reviewed and passed the nomination of Mr. Li Wei as the candidate for vice Chairman of the sixth session of the Board.	Wang Xiaojun Li Xiyong Wang Lijie	√ √ √
9 October 2016	The sixth meeting of the sixth session of the Nomination Committee to the Board reviewed and passed the nomination of Mr. Kong Xiangguo as the candidate for independent Director of the sixth session of the Board.	Wang Xiaojun Li Xiyong Wang Lijie	√ √ √
27 December 2016	The seventh meeting of the sixth session of the Nomination Committee to the Board reviewed and passed the nomination of Mr. Liu Jian and Mr. An Manlin as the candidates for deputy general managers.	Wang Xiaojun Li Xiyong Wang Lijie	√ √ √

Note: as considered and approved by the twenty-ninth meeting of the sixth session of the Board held on 10 March 2017, Mr. Kong Xiangguo was elected as the Nomination Committee member of the sixth session of the Board.

During the reporting period, pursuant to the relevant regulations of the Articles, the Nomination Committee reviewed the structure, the number of Directors and the composition of the Board (including professional skills, knowledge, and experience) according to the operation, asset scale and share structure of the Company, and considered that the structure, composition and Directors numbers of the sixth session of the Board were suitable to and consistent with the Company's development strategy; and the independence of the independent non-executive Directors was in compliance with the regulatory requirements.

Strategy and Development Committee to the Board

The members of the Strategy and Development Committee are Director Mr. Li Xiyong, Director Mr. Li Wei, Director Mr. Wu Xiangqian, and independent Director Mr. Qi Anbang. Mr. Li Xiyong serves as the chairman of the Strategy and Development Committee.

The main duties and responsibilities of the Strategy and Development Committee include: (1) to make research and propose on the long-term development strategy and significant investment decisions of the Company; (2) to make research and propose on the annual strategic development plan and operational plan of the Company; (3) to supervise the implementation of the Company's strategic plan and operational plan; (4) to make research and propose on other significant issues affecting the development of the Company.

As at the disclosure date of this annual report, the Strategy and Development Committee held one meeting. The details are as follows:

Date	Main Topic	Member	Present
22 December 2016	Discussed and reviewed the plan of production and operation and the plan of capital investment of the Company for the year 2017	Li Xiyong	√
		Li Wei	√
		Wu Xiangqian	√
		Qi Anbang	√

(VIII) Auditors' Remuneration

The details are set out in the section headed "Appointment and Dismissal of Auditors" of "Chapter 6 Significant Events" in this annual report.

(IX) Company Secretary

At the first meeting of the sixth session of the Board, Mr. Zhang Baocai was appointed as the company secretary. Due to work allocation, Mr. Zhang Baocai has tendered the resignation to the Company and resigned from the position of company secretary with effect from 29 March 2016.

As considered and approved by the seventeenth meeting of the sixth session of the Board held on 29 March 2016, Mr. Jin Qingbin and Ms. Leung Wing Han Sharon were appointed as the joint company secretaries.

Mr. Jin Qingbin has worked on public company's governance and investor relations management for a long time. He is a senior accountant and senior economist with bachelor of economics and master of MBA. He is competent to the company secretary in the aspects of academics, professional qualification and work experience. Meanwhile, Mr. Jin is the senior management who can well know daily operation so as to make sure the effective communication with the Directors and other senior management and help the Board strengthen corporate governance mechanism construction.

The authorities and responsibilities of the company secretary are set out in detail in the Articles.

(X) Shareholder's Right

The procedures for Shareholders' proposal to convene a general meeting of Shareholders, for submitting enquires to the Board and for submitting proposals at general meetings have been set out in details in the Articles.

The qualified Shareholders can propose to convene an extraordinary general meeting by the following ways: (1) Shareholders are entitled to propose to the Board to convene an extraordinary general meeting in writing and state the motions of the meeting. Within the prescribed period, the Board shall provide its written decision to the Shareholders. (2) If the Board decides against convening the proposed extraordinary general meeting, the shareholders are entitled to propose to convene the extraordinary general meeting to the Supervisory Committee in writing. (3) If the Supervisory Committee fails to issue a notice of general meeting within the prescribed period, the Supervisory Committee shall be deemed not to convene and hold the meeting. Shareholders may convene and hold the extraordinary general meeting on their own. All reasonable expenses incurred for such extraordinary general meeting convened by Shareholders as a result of the failure of the Board and the Supervisory committee to convene an extraordinary general meeting as required by the above request(s) shall be borne by the Company. The Board and the secretary of the Company should cooperate in organizing and convening the Shareholders' extraordinary general meeting and the relevant matters.

After submitting relevant proof of identities, the Shareholders are entitled to enquire the Board for the inspection of the register of Shareholders, personal information of Directors, Supervisors and senior management, minutes of Shareholders' general meetings, resolutions of the meetings of the Board, resolutions of the meetings of the Supervisory Committee, financial and accounting reports and the copies of the Company's debentures.

The qualified shareholder(s) may propose special resolutions in writing to the convenor 10 days before the Shareholders' general meeting is convened. The convenor shall issue a supplementary notice of the general meeting within two days after receiving the proposal to announce the content of the proposal. All Directors, Supervisors and senior management should attend the meeting. Except where trade secrets of the Company are involved, the Board, the Supervisors and the senior management should make an explanation or statement regarding the Shareholders' queries and suggestions.

(XI) Investor Relations

1. *Continuously optimizing the Rules for the Management of Relationships with Investors*

Pursuant to the laws and supervisory regulations of both the domestic and overseas markets where the Company's shares are traded, and based on day-to-day business practices, the Company has developed and enhanced the *Rules for the Management of Relationship with Investors and the Rules for Disclosure of Information* etc. to regulate the management of investor relations by effective information collection, compilation, examination, disclosure and feedback control procedures.

The Company amends and perfects the Articles and other documents from time to time. The details of the amendments are set out in the section headed "Related Information on Corporate Governance" under this Chapter.

2. *Actively communicating with the investors*

The Company always communicates with investors sincerely, adhering to the principles of transparency, equity and justice.

During the reporting period, the Company reported to investors on its business operations and collected opinions and recommendations on the Company from investors and capital market through face-to-face meetings at international and domestic road-shows. In order to facilitate its bidirectional communications with the capital market, the company has actively participated in investment strategy meetings organized by brokers at home and abroad, invited investors for Company site visits and also made full use of the "SSE e-interactive platform", hotlines, faxes and e-mails. The company has had over 400 contacts with analysts, fund managers and investors.

The Company emphasizes greatly on communications with Shareholders through Shareholders' general meetings, and encourages the minority Shareholders to participate in Shareholders' general meetings by various means such as Internet voting. The chairman and the vice chairman of the Board, the general manager, the chairman and the vice chairman of the Supervisory Committee, and the relevant Directors, Supervisors and senior management should attend the Shareholders' general meeting. At the Shareholders' meeting, each proposal is submitted separately and all the proposals are voted by poll.

(XII) Information Disclosure

The Company emphasizes on the truthfulness, timeliness, fairness, accuracy and transparency of information disclosure and has observed the disclosure requirements set out in the Hong Kong Listing Rules. The Chief Financial Officer shall ensure the financial report and related information disclosed are a true and fair reflection of the Company's business operations and financial status, applying the applicable accounting standards and relevant rules and regulations.

1. *Providing the investors with the information timely and fairly*

The Company has set up standardized and effective information collection, compilation, examination, disclosure and feedback control procedures to ensure that disclosure of information is in compliance with the regulatory requirements of places where the Company's shares are listed, and also to give investors reasonable access to the Company's information. The Company actively considers the needs of investors and strives to enable investors to draw conclusions independently based on the disclosed information.

The Company, through its website, provides investors with up-to-date information of the Company, the improved status of the corporate governance system and the industrial information, realizing the simultaneous disclosure of the Company's extraordinary announcements, periodic reports on the websites of the stock exchanges and the statutory media.

2. *The fair information disclosure of the Company which is listed on different stock markets*

Aiming at the Company's different stock listings domestically and internationally, the Company consistently adheres to the principle of simultaneous and fair disclosure. Therefore, domestic and foreign investors could get timely and fair information on business conditions of the Company and Yancoal Australia.

(XIII) Internal Controls

The details are set out in the "Internal Controls" in this chapter.

(XIV) Directors' Acknowledgment of Their Responsibilities in the Preparation of the Company's Accounts

All Directors acknowledge their responsibility for preparing the accounts for the year ended 31 December 2016 as a true and fair reflection of the Company's financial situation, operating results and cash flows.

XI. COMPLIANCE WITH AND EXEMPTION FROM CORPORATE GOVERNANCE STANDARDS IMPOSED BY THE NEW YORK STOCK EXCHANGE

(Prepared in accordance with the US Listing Regulations)

As at the date of the Company’s ADSs were delisted from the New York Stock Exchange (the “NYSE”), 56.59% of the Company’s shareholding is owned directly or indirectly by Yankuang Group. The Company is therefore exempted from certain requirements under Section 303A of the Listed Company Manual of the NYSE: (1) the Company is not required to comply with Section 303A.01, to form a Board with a majority of the independent Directors, (2) the Company is not required to comply with Section 303A.04, to form a nominating and corporate governance committee of the Board with all the members being independent Directors, and (3) the Company is not required to comply with Section 303A.05, to form a compensation committee of the Board with all the members being independent Directors.

The Company has established an audit committee pursuant to Section 303A.06 of the NYSE Listed Company Manual. The Company relies on the exemption under Section 303A.00 for foreign private issuers, as well as the exemption for employee directors provided under Rule 10A-3 of the Exchange Act to comply with the audit committee requirements set out in the NYSE Listed Company Manual.

As a foreign private issuer, the Company is subject to more than one set of corporate governance requirements, including those applicable in the Company’s home country. The table below set out material differences between the Company’s corporate governance practices and the NYSE’s corporate governance requirements contained in Section 303A of the Listed Company Manual of the NYSE:

	NYSE Listed Company Manual Requirements on Corporate Governance	Practice of the Company
Non-executive directors must meet at regular scheduled executive sessions without management	Non-executive directors of each listed company are to meet at regular scheduled executive sessions without management participation. (Section 303A.03)	At present, there is no identical corporate governance requirement for listed companies in the PRC. The Company has established a reporting system for all the Directors to ensure that the Directors stay informed of the Company’s business and operations. The Company believes that convening Board meetings on a regular basis offers the non-executive directors an effective forum to communicate and engage in full and open discussions regarding the Company’s businesses.

	NYSE Listed Company Manual Requirements on Corporate Governance	Practice of the Company
Corporate Governance Guidelines	<p>A listed company must adopt and disclose corporate governance guidelines. These corporate governance guidelines should include:</p> <ul style="list-style-type: none"> • qualifications of directors; • responsibilities of directors; • communications between directors and the management and independent advisers; • remuneration of directors; • training for new directors and continuing education of directors; • re-appointment of the management; and • annual review of the performance of the board (Section 303A.09) 	<p>Although the Company has not adopted a separate set of corporate governance guidelines including all the corporate governance requirements of the NYSE, the Company has, however, formulated the Rules of Procedures for the Shareholders' General Meetings, Rules of Procedures for the Board of Directors, Rules of Procedures for the Supervisory Committee, Rules for the Work of the Independent Non-Executive Directors, Rules for Disclosure of Information, Rules for the Approval and the Disclosure of the Connected Transactions of the Company, and other corporate governance documentation in accordance with the regulations and requirements of listing in China.</p> <p>The Company believes that, collectively, the foregoing rules and measures adequately reflect the corporate governance requirements of the NYSE and provide a comprehensive and detailed set of corporate governance requirements to promote the effective operation of the Company. This enables the promotion of a standardized operation of the Company.</p>
Code of Business Conduct and Ethics	<p>A listed company must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code of business conduct and ethics for directors or executive officers. (Section 303A.10)</p>	<p>The Company has adopted a suitable code of ethics, which is published on the website of the Company, in compliance with PRC laws and rules of relevant stock exchanges. Although the Company's current code of business conduct and ethics as adopted does not completely conform to the NYSE rules, the Company believes that the existing code adequately protects the interests of the Company and Shareholders.</p>

(All the financial data in this chapter were prepared in accordance with the CASs)

I. BASIC INFORMATION OF CORPORATE BONDS

Unit: RMB100 million

Name	Abbreviation	Code	Issue date	Maturity date	Balance	Interest rate	Way to repay capital and interest	Trade place
2012 Corporate Bond of Yanzhou Coal (second tranche)	12 Yanzhou Coal 04	122272	2014/3/3	2024/3/3	30.50	6.15%	Interest paid once a year, the entire principal repaid at one time at maturity, the final interest paid together with the principal.	Shanghai Stock Exchange
2012 Corporate Bond of Yanzhou Coal (second tranche)	12 Yanzhou Coal 03	122271	2014/3/3	2019/3/3	19.50	5.92%		
2012 Corporate Bond of Yanzhou Coal (first tranche)	12 Yanzhou Coal 02	122168	2012/7/23	2022/7/23	40	4.95%		
2012 Corporate Bond of Yanzhou Coal (first tranche)	12 Yanzhou Coal 01	122167	2012/7/23	2017/7/23	10	4.20%		

Principal and interest payment of corporate bonds

In March 2016, the Company paid back the annual interest of RMB115.4 million for “12 Yanzhou Coal 03” bond, paid back the annual interest of RMB187.6 million for “12 Yanzhou Coal 04” bond. In July 2016, the Company paid back the annual interest of RMB42 million for “12 Yanzhou Coal 01” bond, paid back the annual interest of RMB198 million for “12 Yanzhou Coal 02” bond.

II. CONTACT INFORMATION OF CORPORATE BOND TRUSTEE AND CREDIT RATING AGENCY

Bond trustee	Name	BOC International China Limited (“BOC International”)
	Office address	7/F, No. 110 Xidan North Avenue, Xicheng District, Beijing, PRC
	Contact person	He Yinhui
	Contact number	021-20328000
Credit rating agency	Name	Dagong Global Credit Rating Co., Ltd.
	Office address	29/F, Unit A, Eagle Run Plaza, No.26 Xiaoyun Road, Chaoyang District, Beijing, P.R.China

Other explanation:

As at 31 March 2017, Yanzhou Coal has paid the interests of 2012 corporate bond (first tranche) and 2012 corporate bond (second tranche) on schedule.

III. USE OF PROCEEDS BY CORPORATE BONDS

The 2012 corporate bond (first tranche) and the 2012 corporate bond (second tranche) of Yanzhou Coal Mining Co., Ltd. issued proceeds of RMB5 billion (before deducting issue expenses), respectively, with RMB10 billion funds raised in total. The whole proceeds were used to replenish working capital including technical improvement for old mines, construction on new mines, coal mining, procurement and repair for preparation equipments, and the continuous input to ensure the safety production of coal mines. The utilization and use plan keep consistent with the prospectus.

The bond balance at the end of the year of 2012 corporate bond (first tranche) of Yanzhou Coal Mining Co., Ltd. was RMB5 billion. The bond balance at the end of the year of 2012 corporate bond (second tranche) of Yanzhou Coal Mining Co., Ltd. was RMB5 billion.

IV. INFORMATION ON CREDIT RATING AGENCY OF CORPORATE BOND

1. On 28 April 2016, the track ratings made by Dagong Global Credit Rating Co., Ltd. based on the conditions of the Company during the reporting period were as follows: the long-term credit rating to the Company remains AAA and the rating is expected to remain stable; the credit ratings to 12 Yanzhou Coal 01, 12 Yanzhou Coal 02, 12 Yanzhou Coal 03 and 12 Yanzhou Coal 04 remain AAA. The relevant information has already been published on the website of Shanghai Stock Exchange and the website of the Company on 3 May 2016 respectively.
2. During the reporting period, the bond rating of 2012 corporate bond (first tranche) and 2012 corporate bond (second tranche) of Yanzhou Coal Mining Co., Ltd. remain AAA without any change, which indicates that the risk of bonds unable to repay at maturity is very small.

V. CREDIT ENHANCEMENT MECHANISM, DEBT REPAYMENT SCHEME AND OTHER RELEVANT INFORMATION OF CORPORATE BONDS DURING THE REPORTING PERIOD

During the reporting period, credit enhancement mechanism, debt payment scheme and other debt payment supporting measures have not changed.

1. Guarantee

On 2 January 2012, the board of directors of Yankuang Group approved that, Yankuang Group, the controlling shareholder of the Company, to provide an irrevocable, unconditional and joint liability guarantee for the full amount of 2012 corporate bond (first tranche) and 2012 corporate bond (second tranche) of Yanzhou Coal.

Key financial data and indicators of Yankuang Group (unaudited 2016 financial data) are as follows:

Unit: RMB10 thousand

	31 December 2016	31 December 2015
Net assets	5,340,355	4,580,165
Liability to asset ratio	74.9%	74.8%
Return rate on net assets	2.54%	0.35%
Current ratio	0.89	1.35
Liquidity ratio	1.21	1.01
Credit status of guarantor	AAA	AAA
Accumulative balance of external guarantee	510,000	510,000
Accumulative balance of external guarantee to net assets ratio	8.99%	9.64%

2. Debt repayment scheme

The value date of 12 Yanzhou Coal 01 is on 23 July 2012. Bond interest will be paid once a year within the duration from the value date. The payment date of 12 Yanzhou Coal 01 for the previous interest year from 2012 to 2017 is in 23 July (extended accordingly when it is official holiday or rest day, hereinafter inclusive). The maturity date of 12 Yanzhou Coal 01 is on 23 July 2017. The principal and the interest for the final tranche should be paid in the maturity date.

The value date of 12 Yanzhou Coal 02 is on 23 July 2012. Bond interest will be paid once a year within the duration from the value date. The payment date of 12 Yanzhou Coal 02 for the previous interest year from 2012 to 2022 is in 23 July (extended accordingly when it is official holiday or rest day, hereinafter inclusive). The maturity date of 12 Yanzhou Coal 02 is on 23 July 2022. The principal and the interest for the final tranche should be paid in the maturity date.

The value date of 12 Yanzhou Coal 03 is on 3 March 2014. Bond interest will be paid once a year within the duration from the value date. The payment date of 12 Yanzhou Coal 03 for the previous interest year from 2015 to 2019 is in 3 March (extended accordingly when it is official holiday or rest day, hereinafter inclusive). The maturity date of 12 Yanzhou Coal 03 is on 3 March 2019. The principal and the interest for the final tranche should be paid in the maturity date.

The value date of 12 Yanzhou Coal 04 is on 3 March 2014. Bond interest will be paid once a year within the duration from the value date. The payment date of 12 Yanzhou Coal 04 for the previous interest year from 2015 to 2024 is in 3 March (extended accordingly when it is official holiday or rest day, hereinafter inclusive). The maturity date of 12 Yanzhou Coal 04 is on 3 March 2024. The principal and the interest for the final tranche should be paid in the maturity date.

The payment of principal and interest for 2012 corporate bond (first tranche) and 2012 corporate bond (second tranche) of Yanzhou Coal Mining Co., Ltd. will be conducted by bond registration and depository institution and relevant organizations. The payment detail will be explained in the announcement issued through the media designated by the Company in CSRC according to relevant requirements.

3. Debt repayment supporting plan

During the reporting period, the plans and measures for debt repayment supporting were coincident with the prospectus, including: (1) establish specialized team for debt payment; (2) ensure that the fixed fund is used for its specified purpose only; (3) give full play to the role of bond trustee; (4) formulate the rules for bondholders' meeting; (5) disclose the information strictly; (6) when the Company cannot pay back the principal and interests of this bond in time, the Company undertakes to take the following measures to effectively protect the interest of bondholders: ① don't distribute profits to shareholders; ② postpone the implementation of significant external investment, merger and acquisition and other capital expenditure projects; ③ reduce or suspend the salaries and bonuses for directors and senior management; ④ main responsibility person cannot be transferred.

4. Special account for debt payment

The Company didn't set up the special account for debt repayment.

VI. BONDHOLDERS' MEETING

During the reporting period, there was no bondholders' meeting.

VII. PERFORMANCE OF DUTIES BY BOND TRUSTEE

The Company and BOC International (China) Limited ("BOC International") entered into the Agreement on Bond Entrusted Management in January 2012, according to which, BOC International was appointed as the trustee of this bond. During the reporting period, reports on entrusted management businesses have been disclosed by BOC International and posted in the website of Shanghai Stock Exchange.

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE TWO YEARS PRECEDING THE END OF THE REPORTING PERIOD

Unit: RMB10 thousand

Main Indicators	2016	2015	Increase/Decrease for the period compared with that of the same period of previous year
EBITDA	951,140	478,567	98.75%
Current ratio	0.82	1.17	-29.91%
Liquidity ratio	0.77	1.12	-31.25%
Liability to asset ratio	64.94%	69.08%	decrease 5.99 percentage points
Total debt to EBITDA ratio	9.97	20.07	-50.32%
Interest cover ratio	2.21	2.07	6.91%
Cash interest cover ratio	2.87	2.38	20.59%
EBITDA interest cover ratio	3.78	3.39	11.53%
Loan repayment rate	100%	100%	0.00%
Interest coverage	100%	100%	0.00%

IX. PRINCIPAL AND INTEREST PAYMENT OF OTHER BONDS AND FINANCING INSTRUMENTS DURING THE REPORTING PERIOD

The Company paid the principal and interest of the USD bonds for a term of 5 years and for a term of 10 years, respectively issued in 2012 and nine tranches of super-short term notes issued in the reporting period on schedule without the default.

X. BANK CREDIT STATUS DURING THE REPORTING PERIOD

As at 31 December 2016, the total bank credit limit of the Company was RMB87.273 billion, of which, RMB46.711 billion has been used, RMB40.562 billion remained unused. In 2016, the Company repaid the principal and interest of bank loan amounting to RMB18.189 billion on schedule. The repayment date for the loan amounting to USD100 million from BOC Macao Branch by Yancoal International was extended to 1 year.

Save as disclosed above, there were no other extension, drawdown and default during the reporting period.

XI. PERFORMANCE OF THE RELEVANT AGREEMENT OR COMMITMENT IN BOND PROSPECTUS DURING THE REPORTING PERIOD

The Company strictly performed the relevant agreement and fulfilled the commitment of prospectus without any default. There was no safety matter that may affect investor's funds.

XII. EFFECT ON OPERATIONS AND DEBT PAYING ABILITY OF THE COMPANY BY SIGNIFICANT EVENTS

For the information on significant events and latest progress of the Company, please refer to "Chapter 6 Significant Events" in this annual report.

The abovementioned significant events had no great effects on the Company's operation and didn't influence the debt payment ability to investors as the Company operates stably and has smooth financing channel.

Independent Auditor's Report



SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS of YANZHOU COAL MINING COMPANY LIMITED
(A joint stock company with limited liability established in the People's Republic of China)

OPINION

We have audited the consolidated financial statements of Yanzhou Coal Mining Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 147 to 279, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”) and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

RECOVERABILITY OF BILL AND ACCOUNTS RECEIVABLES

Refer to note 18 to the consolidated financial statements and the accounting policies on pages 182 to 187.

The key audit matter

We have identified impairment of bills and accounts receivables as a key audit matter because the estimations of provisions are based on a significant degree of management judgement and may be subject to management bias.

The conclusions are dependent upon management's judgement in assessing the ultimate realisation of these receivables.

How the matter was addressed in our audit

Our procedures were designed to review the management's impairment assessment process and challenge the reasonableness of the methods and assumptions used in estimating the impairment of bills and accounts receivables.

We have challenged the assumptions and critical judgment used by the management by assessing the reliability of the management's past estimates and taking into account the ageing of receivables at year end, settlements received after year end and the recent creditworthiness of each material debtor.

VALUATION AND IMPAIRMENT OF INTANGIBLE ASSETS

Refer to note 23 to the consolidated financial statements and the accounting policies on pages 171 to 175.

The key audit matter

We have identified the impairment of intangible assets as a key audit matter because of its significance to the consolidated financial statements and because the Group's assessment of impairment of intangible assets is a judgmental process which requires estimates concerning the forecast future cash flows associated with the assets in determining the recoverable amount.

The selection of valuation model, adoption of key assumptions and input data may be subject to management bias and changes in these assumptions and inputs to the valuation model may result in significant financial impact.

How the matter was addressed in our audit

Our procedures were designed to evaluate management's impairment assessment process and to challenge the reasonableness of the selection of valuation model, adoption of key assumptions and input data by reference to the historical information and internal forecasts, together with market and other externally available information and sensitivity analysis.

We have also considered the overall reasonableness of these forecasts.

Besides, we have also challenged the management's assessment on the appropriateness of the useful lives and the amortization rate used, and considered the potential impact of reasonably possible downside changes in these key assumptions.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Refer to note 24 to the consolidated financial statements and the accounting policies on pages 171 and 175.

The key audit matter

We have identified the impairment of property, plant and equipment as a key audit matter because of its significance to the consolidated financial statements of the Group and the Group's assessment of impairment of property, plant and equipment is a judgemental process which requires estimates concerning the forecast future cash flows associated with the assets in determining the recoverable amount.

The selection of valuation model, adoption of key assumptions and input data may be subject to management bias and changes in these assumptions and input to the valuation model may result in significant financial impact.

How the matter was addressed in our audit

Our procedures were designed to evaluate management's impairment assessment process and to challenge the reasonableness of the selection of valuation model, adoption of key assumptions and input data by reference to the historical information and internal forecasts, together with market and other externally available information and sensitivity analysis.

We have also considered the overall reasonableness of these forecasts.

IMPAIRMENT ASSESSMENT ON GOODWILL

Refer to note 25 to the consolidated financial statements and the accounting policies on pages 175 to 176.

The key audit matter

We have identified the impairment of goodwill as a key audit matter because of its significance to the consolidated financial statements and because the Group's assessment of impairment of goodwill is a judgmental process which requires estimates concerning forecast future cash flows expected to arise from cash-generating unit and a suitable discount rate in order to derive the value in use.

The selection of valuation model, adoption of key assumptions and input data may be subject to management bias and changes in these assumptions and input to the valuation model may result in significant financial impact.

How the matter was addressed in our audit

Our procedures were designed to evaluate management's impairment assessment process and challenge the reasonableness of the selection of valuation model, adoption of key assumptions and input data by reference to the historical information and internal forecasts, together with other externally available information and sensitivity analysis.

We have also considered the overall reasonableness of these forecasts.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company (the "Directors") are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

The engagement partner on the audit resulting in this independent auditor's report is Lau Kai Wong.

Other Matters

The consolidated financial statements of the Company for the year ended 31 December 2014 and 2015 were audited by Grant Thornton Hong Kong Limited with unqualified opinion.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Lau Kai Wong

Practising Certificate Number: P06623

Hong Kong

31 March 2017

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000	2014 RMB'000
Gross sales of coal	7	29,295,367	32,875,951	58,539,353
Railway transportation service income		287,355	327,311	373,617
Gross sales of electricity power		572,522	598,608	241,490
Gross sales of methanol		2,445,689	2,264,749	1,195,458
Gross sales of heat supply		12,399	27,549	20,846
Gross sales of equipment manufacturing		659,100	309,918	-
Total revenue		33,272,432	36,404,086	60,370,764
Transportation costs of coal	7	(1,810,092)	(2,078,902)	(2,291,594)
Cost of sales and services provided	8	(19,123,956)	(25,838,279)	(49,557,502)
Cost of electricity of power		(473,891)	(476,513)	(159,724)
Cost of methanol		(1,851,761)	(1,535,828)	(869,294)
Cost of heat supply		(5,796)	(13,353)	(11,236)
Cost of equipment manufacturing		(542,948)	(307,600)	-
Total cost of sales		(23,808,444)	(30,250,475)	(52,889,350)
Gross profit		9,463,988	6,153,611	7,481,414
Selling, general and administrative expenses	9	(7,788,733)	(5,696,704)	(6,069,884)
Share of profit of associates	27	708,368	502,364	310,604
Share of loss of joint ventures	30	(10,366)	(170,458)	(320,829)
Other income and gains	10	2,822,871	2,317,855	2,382,186
Finance cost	11	(2,501,016)	(2,484,411)	(2,183,581)
Profit before tax	13	2,695,112	622,257	1,599,910
Income tax expenses	12	(816,908)	(489,637)	(1,112,807)
Profit for the year		1,878,204	132,620	487,103
Attributable to:				
Equity holders of the Company		1,649,391	164,459	766,158
Owners of perpetual capital securities	44	424,307	346,227	36,456
Non-controlling interests				
– Perpetual capital securities	44	67,353	140,593	82,079
– Other		(262,847)	(518,659)	(397,590)
		1,878,204	132,620	487,103
Earnings per share, basic and diluted	16	RMB0.34	RMB0.03	RMB0.16
Earnings per American Depository Shares ("ADS", one ADS represents 10 H shares), basic and diluted	16	RMB3.36	RMB0.33	RMB1.56

Chapter 12 Consolidated Financial Statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000	2014 RMB'000
Profit for the year	1,878,204	132,620	487,103
Other comprehensive income (expenses) (after income tax):			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sales investments:			
Change in fair value	4,171	38,336	76,549
Reclassification adjustments to income statement	(14,773)	(193,408)	-
Deferred taxes	2,651	38,768	(19,137)
	(7,951)	(116,304)	57,412
Cash flow hedges:			
Cash flow hedge amounts recognized in other comprehensive income	(209,097)	(194,079)	(2,606,339)
Reclassification adjustments for amounts transferred to income statement (included in revenue)	1,179,017	284,075	1,297,843
Deferred taxes	(290,976)	16,487	394,986
	678,944	106,483	(913,510)
Share of other comprehensive (loss) income of associates	(13,463)	7,084	11,213
Share of other comprehensive income of joint ventures	-	94,865	-
Exchange difference arising on translation of foreign operations	(346,580)	(4,119,404)	(1,789,321)
Other comprehensive income (loss) for the year	310,950	(4,027,276)	(2,634,206)
Total comprehensive income (loss) for the year	2,189,154	(3,894,656)	(2,147,103)
Attributable to:			
Equity holders of the Company	1,818,099	(3,238,138)	(1,554,464)
Owners of perpetual capital securities	424,307	346,227	36,456
Non-controlling interests			
- Perpetual capital securities	67,353	140,593	82,079
- Other	(120,605)	(1,143,338)	(711,174)
	2,189,154	(3,894,656)	(2,147,103)

Chapter 12 Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000 (Restated)	2014 RMB'000 (Restated)
Current assets				
Bank balances and cash	17	16,422,769	20,175,120	15,041,928
Term deposits	17	2,445,000	2,995,066	5,154,296
Restricted cash	17	1,144,800	407,711	275,981
Bills and accounts receivables	18	9,735,859	5,976,837	7,084,105
Held-to-maturity investments	34	130,573	–	–
Long term receivables – due within one year	28	1,944,050	1,565,194	1,705,757
Royalty receivable	19	156,461	93,083	89,137
Inventories	20	2,162,147	1,852,333	1,470,480
Prepayments and other receivables	21	7,313,141	7,968,818	7,219,251
Prepaid lease payments	22	29,056	23,407	22,343
Derivative financial instruments		–	–	359
Tax recoverable		27,555	12,976	22,706
		41,511,411	41,070,545	38,086,343
Assets classified as held for sale	33	–	7,740,520	–
		41,511,411	48,811,065	38,086,343
Non-current assets				
Intangible assets	23	40,606,793	32,243,310	37,287,549
Prepaid lease payments	22	872,202	900,942	776,751
Property, plant and equipment	24	31,023,022	28,659,378	30,051,838
Construction in progress	26	10,929,944	16,956,592	14,122,774
Goodwill	25	1,646,717	2,296,083	2,232,751
Investments in securities	32	2,624,003	944,410	388,764
Interests in associates	27	5,133,273	3,263,764	2,955,629
Interests in joint ventures	30	65,390	57,479	130,867
Restricted cash	17	–	–	53,870
Held-to-maturity investments	34	69,427	–	–
Long term receivables – due after one year	28	4,667,837	247,339	302,517
Royalty receivable	19	841,300	875,444	909,927
Deposits made on investments	29	118,926	118,926	118,926
Deferred tax assets	42	7,345,227	7,097,143	5,679,608
		105,944,061	93,660,810	95,011,771
Total assets		147,455,472	142,471,875	133,098,114

Chapter 12 Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000 (Restated)	2014 RMB'000 (Restated)
Current liabilities				
Bills and accounts payables	35	5,849,019	4,207,366	4,037,204
Other payables and accrued expenses	36	10,567,895	8,960,852	8,686,111
Provision for land subsidence, restoration, rehabilitation and environmental costs	37	2,689,433	2,616,998	2,900,054
Amounts due to Parent Company and its subsidiary	51	315,956	190,150	190,408
Borrowings – due within one year	39	30,741,981	23,903,217	10,871,689
Long term payables – due within one year	41	396,285	398,566	398,794
Provision	38	44,982	48,455	50,579
Derivative financial instruments	40	3,246	5,442	81,602
Tax payable		775,051	204,418	113,442
		51,383,848	40,535,464	27,329,883
Liabilities directly associated with assets classified as held for sale	33	–	1,520,831	–
		51,383,848	42,056,295	27,329,883
Non-current liabilities				
Borrowings – due after one year	39	34,835,810	45,576,588	50,566,399
Deferred tax liabilities	42	7,017,396	7,823,565	7,554,413
Provision for land subsidence, restoration, rehabilitation and environmental costs	37	617,447	582,741	529,953
Provision	38	197,418	215,670	262,229
Long term payables – due after one year	41	–	415,362	856,721
		42,668,071	54,613,926	59,769,715
Total liabilities		94,051,919	96,670,221	87,099,598
Capital reserves				
Share capital	43	4,912,016	4,918,400	4,918,400
Reserves	43	32,226,660	30,451,501	33,807,446
Equity attributable to equity holders of the Company		37,138,676	35,369,901	38,725,846
Owners of perpetual capital security	44	6,662,191	6,661,683	2,521,456
Non-controlling interests				
– Perpetual capital security	44	–	1,854,837	1,851,903
– Subordinated capital notes	45	3,102	3,102	3,102
– Other		9,599,584	1,912,131	2,896,209
		53,403,553	45,801,654	45,998,516
Total liabilities and equity		147,455,472	142,471,875	133,098,114

The consolidated financial statements on pages 147 to 279 were approved and authorised for issue by the Board of Directors on 31 March 2017 and are signed on its behalf by:

Li Xiyong
Director

Zhao Qingchun
Director

Chapter 12 Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to equity holders of the Company									Non-controlling interests				
	Share capital	Share premium	Future development fund	Statutory common reserve fund	Translation reserve	Investment revaluation reserve	Cash flow hedge reserve	Retained earnings	Total	Perpetual Capital Securities issued by the Company	Perpetual Capital Securities issued by a subsidiary	Subordinated Capital Notes	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 43)		(note 43)	(note 43)				(note 43)		(note 44)	(note 44)	(note 45)		
At 1 January 2014	4,918,400	2,981,002	3,975,732	5,511,323	(3,232,348)	71,560	(750,785)	26,903,794	40,378,678	-	-	-	3,607,383	43,986,061
Profit (loss) for the year	-	-	-	-	-	-	-	766,158	766,158	36,456	82,079	-	(397,590)	487,103
Other comprehensive income (loss) for the year:														
- Fair value change of available-for-sale investments	-	-	-	-	-	57,412	-	-	57,412	-	-	-	-	57,412
- Share of comprehensive income from associate	-	-	-	-	-	11,213	-	-	11,213	-	-	-	-	11,213
- Cash flow hedge reserve recognized	-	-	-	-	-	-	(705,157)	-	(705,157)	-	-	-	(208,353)	(913,510)
- Exchange differences arising on translation of foreign operations	-	-	-	-	(1,684,090)	-	-	-	(1,684,090)	-	-	-	(105,231)	(1,789,321)
Total comprehensive (loss) income for the year	-	-	-	-	(1,684,090)	68,625	(705,157)	766,158	(1,554,464)	36,456	82,079	-	(711,174)	(2,147,103)
Transactions with owners														
- Issuance of Subordinated Capital Notes	-	-	-	-	-	-	-	-	-	-	-	3,102	-	3,102
- Issuance of perpetual capital securities	-	-	-	-	-	-	-	-	-	2,485,000	1,835,747	-	-	4,320,747
- Distribution paid to holders of perpetual capital securities	-	-	-	-	-	-	-	-	-	-	(65,923)	-	-	(65,923)
- Appropriations to and utilization of reserves	-	-	(2,316,285)	418,788	-	-	-	1,897,497	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	(98,368)	(98,368)	-	-	-	-	(98,368)
Total transactions with owners	-	-	(2,316,285)	418,788	-	-	-	1,799,129	(98,368)	2,485,000	1,769,824	3,102	-	4,159,558
At 31 December 2014	4,918,400	2,981,002	1,659,447	5,930,111	(4,916,438)	140,185	(1,455,942)	29,469,081	38,725,846	2,521,456	1,851,903	3,102	2,896,209	45,998,516

Chapter 12 Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2016

	Attributable to equity holders of the Company									Non-controlling interests					
	Share capital RMB'000 (note 43)	Capital reserve RMB'000	Share premium RMB'000	Future development fund RMB'000 (note 43)	Statutory common reserve fund RMB'000 (note 43)	Translation reserve RMB'000	Investment revaluation reserve RMB'000	Cash flow hedge reserve RMB'000	Retained earnings RMB'000 (note 43)	Total RMB'000	Perpetual Capital Securities issued by the Company RMB'000 (note 44)	Perpetual Capital Securities issued by a subsidiary RMB'000 (note 44)	Subordinated Capital Notes RMB'000 (note 45)	Others RMB'000	Total RMB'000
At 1 January 2015	4,918,400	-	2,981,002	1,659,447	5,930,111	(4,916,438)	140,185	(1,455,942)	29,469,081	38,725,846	2,521,456	1,851,903	3,102	2,896,209	45,998,516
Profit (loss) for the year	-	-	-	-	-	-	-	-	164,459	164,459	346,227	140,593	-	(518,659)	132,620
Other comprehensive income (expenses) for the year:															
- Fair value change of available-for-sale investments	-	-	-	-	-	-	(116,304)	-	-	(116,304)	-	-	-	-	(116,304)
- Share of comprehensive income from associates	-	-	-	-	-	-	7,084	-	-	7,084	-	-	-	-	7,084
- Share of comprehensive income from joint ventures	-	-	-	-	-	-	73,995	-	-	73,995	-	-	-	20,870	94,865
- Cash flow hedge reserve recognized	-	-	-	-	-	-	-	98,687	-	98,687	-	-	-	7,796	106,483
- Exchange differences arising on translation of foreign operations	-	-	-	-	-	(3,463,859)	(2,200)	-	-	(3,466,059)	-	-	-	(653,345)	(4,119,404)
Total comprehensive income for the year	-	-	-	-	-	(3,463,859)	(37,425)	98,687	164,459	(3,238,138)	346,227	140,593	-	(1,143,338)	(3,894,656)
Transactions with owners															
- Issuance of perpetual capital securities	-	-	-	-	-	-	-	-	-	-	3,964,000	-	-	-	3,964,000
- Distribution paid to holders of perpetual capital securities	-	-	-	-	-	-	-	-	-	-	(170,000)	(137,659)	-	-	(307,659)
- Increase capital to Zhongyin Financial Leasing Co., Ltd. ("Zhongyin Financial")	-	-	-	-	-	-	-	-	-	-	-	-	-	60,127	60,127
- Establishment of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	99,133	99,133
- Appropriations to utilization of reserves	-	-	-	(680,786)	22,392	-	-	-	658,394	-	-	-	-	-	-
- Share repurchased and not yet cancelled (Note 43)	-	(19,439)	-	-	-	-	-	-	-	(19,439)	-	-	-	-	(19,439)
- Dividends	-	-	-	-	-	-	-	-	(98,368)	(98,368)	-	-	-	-	(98,368)
Transactions with owners	-	(19,439)	-	(680,786)	22,392	-	-	-	560,026	(117,807)	3,794,000	(137,659)	-	159,260	3,697,794
At 31 December 2015	4,918,400	(19,439)	2,981,002	978,661	5,952,503	(8,380,297)	102,760	(1,357,255)	30,193,566	35,369,901	6,661,683	1,854,837	3,102	1,912,131	45,801,654

Chapter 12 Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2016

	Attributable to equity holders of the Company									Non-controlling interests					
	Share capital RMB'000 (note 43)	Capital reserve RMB'000	Share premium RMB'000	Future development fund RMB'000 (note 43)	Statutory common reserve fund RMB'000 (note 43)	Translation reserve RMB'000	Investment revaluation reserve RMB'000	Cash flow hedge reserve RMB'000	Retained earnings RMB'000 (note 43)	Total RMB'000	Perpetual Capital Securities issued by the Company RMB'000 (note 44)	Perpetual Capital Securities issued by a subsidiary RMB'000 (note 44)	Subordinated Capital Notes RMB'000 (note 45)	Others RMB'000	Total RMB'000
At 1 January 2016	4,918,400	(19,439)	2,981,002	978,661	5,952,503	(8,380,297)	102,760	(1,357,255)	30,193,566	35,369,901	6,661,683	1,854,837	3,102	1,912,131	45,801,654
Profit (loss) for the year	-	-	-	-	-	-	-	-	1,649,391	1,649,391	424,307	67,353	-	(262,847)	1,878,204
Other comprehensive (loss) income:															
- Fair value change of available-for-sale investments	-	-	-	-	-	-	(7,951)	-	-	(7,951)	-	-	-	-	(7,951)
- Cash flow hedge reserve recognized	-	-	-	-	-	-	-	578,304	-	578,304	-	-	-	100,640	678,944
- Share of comprehensive loss from associate	-	-	-	-	-	-	(13,463)	-	-	(13,463)	-	-	-	-	(13,463)
- Exchange differences arising on translation of foreign operations	-	-	-	-	-	(388,182)	-	-	-	(388,182)	-	-	-	41,602	(346,580)
Total comprehensive (loss) income for the year	-	-	-	-	-	(388,182)	(21,414)	578,304	1,649,391	1,818,099	424,307	67,353	-	(120,605)	2,189,154
Transactions with owners															
- Distribution paid to holders of perpetual capital securities	-	-	-	-	-	-	-	-	-	-	(423,799)	(67,353)	-	-	(491,152)
- Established of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	8,010,050	8,010,050
- Share repurchased and cancelled (note 43)	(6,384)	19,439	(13,055)	-	-	-	-	-	-	-	-	-	-	-	-
- Dividends	-	-	-	-	-	-	-	-	(49,324)	(49,324)	-	-	-	-	(49,324)
- Dividends to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(201,992)	(201,992)
- Redemption of perpetual capital securities	-	-	-	-	-	-	-	-	-	-	-	(1,854,837)	-	-	(1,854,837)
Transactions with owners	(6,384)	19,439	(13,055)	-	-	-	-	-	(49,324)	(49,324)	(423,799)	(1,922,190)	-	7,808,058	5,412,745
At 31 December 2016	4,912,016	-	2,967,947	978,661	5,952,503	(8,768,479)	81,346	(778,951)	31,793,633	37,138,676	6,662,191	-	3,102	9,599,584	53,403,553

Chapter 12 Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000	2014 RMB'000
OPERATING ACTIVITIES				
Profit before tax		2,695,112	622,257	1,599,910
Adjustments for:				
Interest expenses	11	2,501,016	2,484,411	2,183,581
Interest income	10	(743,362)	(1,296,787)	(835,931)
Dividend income	10	(58,477)	(31,981)	(7,385)
Net unrealized foreign exchange loss (gain)		(373,140)	497,369	(359,665)
Depreciation of property, plant and equipment	24	3,439,994	3,742,576	3,078,755
Release of prepaid lease payments	13	27,847	21,334	18,888
Gain on sale of investment in securities	10	-	(204,331)	-
Bargain purchase	10	-	-	(147,993)
Gain on acquisition of additional interest in joint operation	10	-	(30,930)	-
Amortization of intangible assets	13	727,091	719,391	1,116,482
Provision of impairment loss on accounts receivable and other receivables, net	9	1,109,053	56,575	14,529
Reversal of impairment loss on intangible assets	10	-	-	(731,332)
Provision of impairment loss on goodwill	9	668,210	326,918	-
Provision of impairment loss on inventories	9	9,394	26,437	8,621
Reversal of impairment loss on inventories	10	(17,360)	(18,858)	-
Share of loss of joint ventures	30	10,366	170,458	320,829
Share of profit of associates	27	(708,368)	(502,364)	(310,604)
Loss on change of fair value of royalty receivable	9	30,872	-	87,634
Loss (gain) on disposal of property, plant and equipment, net	13	142,440	(9,069)	(5,986)
Operating cash flows before movements in working capital		9,460,688	6,573,406	6,030,333
(Increase) decrease in bills and accounts receivable		(3,791,024)	983,200	1,847,613
(Increase) decrease in inventories		(265,834)	(426,852)	43,467
Movement in provision for land subsidence, restoration, rehabilitation and environmental cost		107,141	(198,029)	(381,325)
Increase in prepaid lease payment		(4,756)	(146,589)	(123,079)
Decrease (increase) in prepayments and other assets		6,245,778	185,814	(850,644)
Increase in bills and accounts payable		1,595,850	229,657	1,571,594
Increase (decrease) in other payables and accrued expenses		1,815,356	112,304	(182,329)
Increase in amounts due to Parent Company and its subsidiaries		125,806	-	-
Decrease in long-term payable		(496,865)	(623,013)	(807,331)
Cash generated from operations		14,792,140	6,689,898	7,148,299
Income taxes paid		(1,251,250)	(1,556,305)	(2,219,435)
Interest paid		(3,063,578)	(2,553,742)	(1,815,292)
Interest received		743,362	1,269,505	814,714
NET CASH FROM OPERATING ACTIVITIES		11,220,674	3,849,356	3,928,286

Chapter 12 Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000	2014 RMB'000
INVESTING ACTIVITIES				
Decrease (increase) in term deposits		550,066	2,152,436	(723,340)
Increase in restricted cash		(737,089)	(81,024)	(186,056)
Purchase of property, plant and equipment		(1,682,789)	(6,532,859)	(133,122)
Purchase of construction in progress		(6,101,635)	(5,777,005)	(5,667,064)
(Increase) decrease in long term receivables		(4,690,483)	73,994	(246,379)
Decrease in deposit made on investments		-	-	3,000
Proceeds on disposal of property, plant and equipment		993,142	3,404,790	81,132
Investments in securities		(2,520,404)	(789,668)	(100,671)
Investment in held to maturity investments		(200,000)	-	-
Proceeds from sale of investments in securities		-	445,073	15
Investment in an associate	27	(550,000)	(1,514,560)	(125,000)
Repayment from (advance to) an associate		-	1,250,000	(1,250,000)
Dividend received		58,477	31,981	7,385
Dividend received from associates		167,346	465,873	236,145
Acquisition of Donghua	48	-	(586,354)	-
Acquisition of Moolarben		-	(93,148)	-
Acquisition of investment properties		-	-	(58,679)
Purchase of intangible assets	23	(241,925)	(155,048)	(128,627)
NET CASH USED IN INVESTING ACTIVITIES		(14,955,294)	(7,705,519)	(8,291,261)
FINANCING ACTIVITIES				
Dividends paid		(49,324)	(98,368)	(98,368)
Proceeds from bank borrowings		7,899,453	12,910,157	8,072,750
Repayment of bank borrowings		(16,738,268)	(9,751,530)	(6,193,233)
Repayment of other borrowings		-	(17,522)	(209,774)
Proceeds from issuance of guaranteed notes		25,464,750	9,996,667	9,932,220
Proceeds from issuance of perpetual capital securities		-	3,964,000	4,320,747
Proceeds from issuance of subordinated capital notes		-	-	3,102
Repurchase of contingent value rights shares		-	-	(1,373,523)
Repayment of perpetual capital securities		(1,854,837)	-	-
Repayment of guaranteed notes		(22,000,000)	(5,761,761)	(5,995,833)
Proceeds from other borrowings		-	-	300,000
Payment of repurchase of shares	43	-	(19,439)	-
Distribution paid to holders of perpetual capital securities		(491,152)	(307,659)	(65,923)
Dividend paid to non-controlling shareholders		(201,992)	-	-
Contribution from non-controlling interests		8,010,050	159,260	-
NET CASH FROM FINANCING ACTIVITIES		38,680	11,073,805	8,692,165
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(3,695,940)	7,217,642	4,329,190
CASH AND CASH EQUIVALENTS AT 1 JANUARY		20,175,120	15,041,928	10,922,637
Effect of foreign exchange rate		(56,411)	233,430	(209,899)
Changes included in assets held for sale		-	(2,317,880)	-
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTED BY BANK BALANCES AND CASH		16,422,769	20,175,120	15,041,928

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL

Yanzhou Coal Mining Company Limited (the “Company”) is established as a joint stock company with limited liability in the People’s Republic of China (the “PRC”). In April 2001, the status of the Company was changed to that of a Sino-foreign joint stock limited company. The Company’s A shares are listed on the Shanghai Stock Exchange (“SSE”), its H shares are listed on The Stock Exchange of Hong Kong (the “HKEX”), and its American Depositary Shares (“ADS”, one ADS represents 10 H shares) are listed on the New York Stock Exchange, Inc. The Company’s parent and ultimate holding company is Yankuang Group Corporation Limited (the “Parent Company”), a state-owned enterprise in the PRC. The addresses of the registered office and principal place of business of the Company are disclosed in the Group Profile and General Information section of the annual report.

The principal activities of the Company are investment holdings, coal mining and coal railway transportation. The activities of its principal subsidiaries, associates, joint ventures and joint operations (together with the Company referred to as the “Group”) are set out in notes 58, 27, 30 and 31 respectively.

The consolidated financial statements as presented in Renminbi (“RMB”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND PRESENTATION

The consolidated financial statements have been prepared on a going concern basis notwithstanding the Group had net current liabilities of approximately RMB9,872,437,000 as at 31 December 2016.

In the opinion of the directors of the Company, the Group should be able to maintain itself as a going concern in the next twelve months from 31 December 2016 by taking into consideration the followings:

- The directors of the Company anticipate that the Group will generate positive cash flows from its operations;
- The undrawn borrowings facilities available for immediate use; and
- As at 31 December 2016, the result of future fund raising activities

Based on the above, the directors of the Company consider that the Group will have sufficient working capital to meet its financial obligations when they fall due for the next twelve months from 31 December 2016. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The Company also prepares a set of consolidated financial statements in accordance with the relevant accounting principles and regulations applicable to the PRC enterprises (“PRC GAAP”).

2. BASIS OF PREPARATION AND PRESENTATION (continued)

The consolidated financial statements include applicable disclosures required by the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The HKEX Limited (“Listing Rules”).

Certain comparative figures have been reclassified to conform to the presentation of the current year for better presentation of the Group’s activities and at 31 December 2016:

- (i) Construction in progress of RMB16,956,592,000 which had previously presented within property, plant and equipment in the consolidated financial statements of 2015 was presented separately.
- (ii) Provisions of RMB48,455,000 and RMB215,670 which had been previously presented within other payables and accrued expenses under current liabilities and long term payables under non-current liabilities respectively in the consolidated financial statements of 2015 were presented separately.

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 31 March 2017.

3. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following amended standards (“new IFRSs”) applicable to the Group issued by the International Accounting Standards Board (the “IASB”), which are relevant to the Group and effective for the Group’s financial year beginning on 1 January 2016.

Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The application of the new and revised IFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

New and revised IFRSs issued but not yet effective

At the date of authorization of these consolidated financial statements, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

IFRS 9 (2014)	Financial Instruments ²
IFRS 15	Revenue from Contracts with Customers ²
IFRS 16	Leases ³
Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to HKFRS 12 Disclosure of interests in other Entities ¹
Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to a number of HKFRSs ²
Amendments to IAS 7	Disclosure Initiative ¹
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendment to IAS 40	Investment property ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transaction ²
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ²
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration ²

¹ Effective for annual periods beginning on or after 1 January 2017.

² Effective for annual periods beginning on or after 1 January 2018.

³ Effective for annual periods beginning on or after 1 January 2019.

⁴ Effective date not yet been determined.

The directors of the Company anticipate that, except as described below, the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

New and revised IFRSs issued but not yet effective (continued)

The directors of the Company anticipate that all the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended IFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended IFRSs are not expected to have a material impact on the Group's financial statements.

IFRS 9 (2014) Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, IFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of IFRS 9 was issued in 2014 to incorporate all the requirements of IFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of IFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of IFRS 9 (2014) are described as follows:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

3. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

New and revised IFRSs issued but not yet effective (continued)

IFRS 9 (2014) Financial Instruments (continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in IAS 39 for the recognition of credit losses. Under the impairment approach in IFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.
- IFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, IFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under IAS 39, it is necessary to exhibit eligibility and compliance with the requirements in IAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for IAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

IFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The director of the Company anticipates that the application of IFRS 9 (2014) in the future may have significant impact on amounts reported and disclosures made in respect of the Group's financial assets and financial liabilities in the Group's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 (2014) until a detailed review has been completed.

3. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

New and revised IFRSs issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, IFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The five steps are as follows:

- i) Identify the contract with the customer;
- ii) Identify the performance obligations in the contract;
- iii) Determine the transaction price;
- iv) Allocate the transaction price to the performance obligations; and
- v) Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

IFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The application of IFRS15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognized as an asset under IFRS 15. At this stage, the Group is in the process of assessing the impact of IFRS 15 on the Group's consolidated financial statements.

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

3. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

New and revised IFRSs issued but not yet effective (continued)

IFRS 16 Leases (continued)

At the commencement date of the lease, the lessee is required to recognize a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognized at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of IAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 will supersede the current lease standards including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16. IFRS 16 will affect primarily the accounting for the Group's operating leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized in the consolidated statement of financial position. The Group is in the process of assessing to what extent the operating lease commitment as disclosed in note 56 will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

3. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

New and revised IFRSs issued but not yet effective (continued)

Amendments to IAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

Amendments to IAS 7 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted.

The Directors anticipate that the application of amendments to IAS 7 will result in additional disclosures on the Group's financing activities, especially reconciliation between the opening and closing balance in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide guidance on how an entity should determine future taxable profits to support the recognition of a deferred tax asset arising from a deductible temporary difference.

Amendments to IAS 12 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted. The amendments are to be applied retrospectively.

The directors of the Company are in the process of assessing their impact on the consolidated financial statements of these requirements.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments provide guidance on addressing the acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its joint venture and associate. An investing entity is required to recognize the gain or loss arising from selling or contributing assets that constitutes or contains a business to a joint venture or associate in full. An investing entity is required to recognize the gain or loss arising from selling or contributing assets that does not constitute or contain a business to a joint venture or associate only to the extent of the unrelated investors' interests in that joint venture or associate.

3. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

New and revised IFRSs issued but not yet effective (continued)

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (continued)

The effective date of amendments to IFRS 10 and IAS 28 has not yet been determined. However, earlier application is permitted. The amendments should be applied prospectively.

The directors of the Company are in the process of assessing their impact on the consolidated financial statements of these requirements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are stated at fair value. The principal accounting policies are set out below.

The consolidated financial statements have been prepared on the historical cost basis.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognized in the Company's profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, except that:

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognized and measured in accordance with IAS 12 *Income Taxes*;
- assets or liabilities related to the acquiree's employee benefit arrangements are recognized and measured in accordance with IAS 19 *Employee Benefits*;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination (continued)

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounting for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value with corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

Investments in associates and joint ventures

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The Group's investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method, except for the investments classified as held for sale in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations and the investments designated as at fair value through profit or loss upon initial recognition or is classified as held for trading in which case it is accounted for under IAS 39 Financial Instruments: Recognition and Measurement. Under the equity method, investments in associates and joint ventures are initially recognized at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates and joint ventures are recognized in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture, the Group discontinues recognizing its share of further losses. Additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

If an associate or a joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's or joint venture's accounting policies conform to those of the Group when the associate's or joint venture's financial statements are used by the Group in applying the equity method.

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

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized in profit or loss in the period in which the investment is acquired.

After application of the equity method, including recognizing the associate's or joint venture's losses (if any), the Group determines whether it is necessary to recognize any additional impairment loss with respect to its investment in the associate or joint venture. Goodwill that forms part of the carrying amount of an investment in an associate or a joint venture is not separately recognized. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment in the associate or joint venture. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

When the investment ceases to be an associate or a joint venture upon the Group losing significant influence over the associate or joint control over the joint venture, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. Any amount previously recognized in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

When the Group's ownership interest in an associate or a joint venture is reduced, but the Group continues to apply the equity method, the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest is reclassified to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its associate or joint venture are recognized in consolidated financial statements only to the extent of unrelated investors' interests in the associate or joint venture. The Group's share in the associate's or joint venture's gains or losses resulting from these transactions is eliminated.

Interests in joint operations

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

The Group, as a joint operator, recognizes in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in joint operations (continued)

When a group entity enters into a transaction with a joint operation in which the group entity is a joint operator, such as a sale or contribution of assets, the Group is considered to be conducting the transaction with the other parties to the joint operation and the Group recognizes gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation.

When a group entity enters into a transaction with a joint operation in which the group entity is a joint operator, such as a purchase of assets, the Group recognizes its share of the gains and losses until it resells those assets to a third party.

Joint arrangements

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions relating about relevant activities require the unanimous consent of the parties sharing control.

Joint ventures are accounted for using the equity method and the details of equity method of accounting have been set out in the accounting policy for interests in associates. When a group entity transacts with a joint venture of the Group, unrealized profits and losses are eliminated to the extent of the Group's interest in the joint venture.

When Group entity undertakes its activities under joint operations, the Group as a joint operator recognizes its direct right to, and its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under appropriate headings.

Assets classified as held for sales

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale or loss of control transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale or disposal in its present condition subject only to terms that are usual and customary for sales or disposals of such assets (or disposal group) and the transaction is highly probable. Management must be committed to the transaction, which should be expected to qualify for recognition as a completed transaction within one year from the date of classification.

When the Group is committed to a sale plan or other transaction involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortized or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets and intangible assets with finite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset (determined at the higher of its fair value less costs of disposal and its value in use) is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with an indefinite useful life will be tested for impairment annually. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Recoverable amount is the higher of fair value less costs of disposal and value in use. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. Impairment loss is recognized as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as an income immediately. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash generating unit) to which the mining activity (mining complex level) is attributed. Management monitors and manages operations at the mining complex level to identify cash-generating streams.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods (including coal, methanol and equipment manufacturing) are recognized upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Service income such as coal railway transportation and electricity and heat supply is recognized when services are provided.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

Dividend income from investments is recognized when the shareholders' rights to receive payments have been established.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately

Intangible assets acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognized only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortized on a straight line basis over its useful life. Expenditure incurred on projects to develop new products is capitalized only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(i) Mining reserves

Mining reserves represent the portion of total proven and probable reserves in the mine of a mining right. Mining reserves are amortized over the life of the mine on a unit of production basis of the estimated total proven and probable reserves or the Australia Joint Ore Reserves Committee (“JORC”) reserves for the Group’s subsidiaries in Australia. Changes in the annual amortization rate resulting from changes in the remaining reserves are applied on a prospective basis from the commencement of the next financial year.

(ii) Mining resources

Mining resources represent the fair value of economically recoverable reserves (excluding the portion of total proven and probable reserves of a mining right i.e. does not include the above mining reserves) of a mining right (Details are set out in the accounting policy of exploration and evaluation expenditure). When production commences, the mining resources for the relevant areas of interest are amortized over the life of the area according to the rate of depletion of the economically recoverable reserves.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each separately identifiable area of interest which is at individual mine level.

Exploration and evaluation expenditure comprises costs that are directly attributable to:

- Researching and analyzing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatments methods; and/or
- Compiling pre-feasibility and feasibility studies.

These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors.

Exploration expenditure relates to the initial search for deposits with economic potential. Expenditure on exploration activity is not capitalized.

Evaluation expenditure relates to a detailed assessment of deposits or other projects that have been identified as having economic potential. Capitalization of evaluation expenditure commences when there is a high degree of confidence that the Group will determine that a project is commercially viable, i.e. the project will provide a satisfactory return relative to its perceived risks, and therefore it is considered probable that future economic benefits will flow to the Group.

Exploration and evaluation expenditure incurred is accumulated in respect of each separately identifiable area of interest which is at individual mine level. These costs are only carried forward where the right of tenure for the area of interest is current and to the extent that they are expected to be recouped through successful development and commercial exploitation, or alternatively, sale of the area, or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

The carrying amount of exploration and evaluation assets is assessed for impairment when facts or circumstances suggest the carrying amount of the assets may exceed their recoverable amount.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Accumulated costs in relation to an abandoned area are written-off in full in the period in which the decision to abandon the area is made.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation expenditure (continued)

Capitalized exploration and evaluation expenditure considered to be tangible is recorded as a component of property, plant and equipment. Otherwise, it is recorded as an intangible asset. Exploration and evaluation expenditure acquired in a business combination are recognized at their fair value at the acquisition date (the fair value of potential economically recoverable reserves at the acquisition date which is shown as “Mining resources”).

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable (i.e. when proved reserves of coal are determined and development is approved by management), the exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining reserves or property, plant and equipment. When production commences, the accumulated costs for the relevant area of interest are amortized over the life of the area according to the rate of depletion of the economically recoverable reserves.

On reclassification, the carrying amounts of exploration and evaluation assets are also reviewed and, where appropriate, written down to their recoverable amount.

Prepaid lease payments

Prepaid lease payments represent land use rights under operating lease arrangement and are stated at cost less accumulated amortization and accumulated impairment losses.

Property, plant and equipment

Property, plant and equipment, other than construction in progress and freehold land, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is charged so as to write off the cost of items of property, plant and equipment, other than construction in progress and freehold land, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method or unit of production method.

Any gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized immediately in the consolidated income statement.

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005 (transition to new IFRS)

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group’s interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

The Group has discontinued amortization from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired (see the accounting policy below).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Goodwill is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment is recognized immediately in the consolidated income statement and is not subsequently reversed.

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

Construction in progress

Construction in progress represents production site development projects under construction for production or for its own use purposes. Construction in progress is carried at cost less any impairment loss. Costs included costs of constructing the manufacturing plant and acquisition of mining rights, mining permits and licenses that form an integral part of the overall development projects. Construction in progress is classified to the appropriate category of property, plant and equipment or intangible assets when completed and ready for intended use. Depreciation or amortization commences when the assets are ready for their intended use.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and other financial institution and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the preparation of consolidated cash flow statement, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories of coal, methanol, iron ore and equipment are stated at the lower of cost and net realizable value. Cost, which comprises direct materials and, where applicable, direct labour and overheads that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realizable value represents the estimated selling price less all further costs to completion and costs to be incurred in selling, marketing and distribution.

Inventories of auxiliary materials, spare parts and small tools expected to be used in production are stated at weighted average cost less allowance, if necessary, for obsolescence.

Overburden in advance

Overburden in advance comprises mining stripping (waste removal) costs both during the development and production phase of the Group's operations.

When stripping costs are included in the development phase of a mine before the production phase commences (development stripping). Such expenditure is capitalised as part of the cost of constructing the mine if it can be demonstrated that it is probable that future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of the ore body for which access has been improved. The stripping assets are subsequently amortized over its useful life using a units of production method, in accordance with the policy applicable to mine properties. The capitalisation of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

Waste development costs incurred in the production phase creates two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where production stripping costs are incurred and the benefit is improved access to ore to be mined in the future, the costs are recognized as a stripping activity asset in mine properties.

If the costs of the inventory produced and the stripping asset are not separately identifiable, the allocation is undertaken based on waste-to-ore stripping ratio for the particular ore component concerned. If mining of waste in a period occurs in excess of the expected life-of-component average waste-to-ore strip ratio, the excess is recognized as part of the stripping asset. Where mining occurs at or below the expected life-of-component stripping ratio in a period, the entire production stripping cost is allocated to the cost of the ore inventory produced.

Amortization is provided using the units-of-production method over the life of the identified component of orebody. The units-of-production method results in an amortization charge proportional to the depletion of the economically recoverable mineral resources (comprising proven and probable reserves).

Stripping costs that do not satisfy the asset recognition criteria are expensed.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Current tax assets and current tax liabilities are presented in net if, and only if, the Group has the legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, interest in associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Changes in deferred tax assets or liabilities are recognized in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Certain of the Company's wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the tax consolidated group recognizes its own deferred tax assets and liabilities, except where the deferred tax assets relate to unused tax losses and credits, in which case the Australian subsidiaries recognize the assets. Australian subsidiaries have entered into a tax sharing agreement whereby each company of Australian subsidiaries contributes to the income tax payable in proportion to their contribution to the profit before tax of the tax consolidated group. The tax consolidated group has also entered into a tax funding agreement whereby each entity in Australian subsidiaries group can recognize their balance of the current tax assets and liabilities through inter-entity accounts.

Land subsidence, restoration, rehabilitation and environmental costs

One consequence of coal mining is land subsidence caused by the resettlement of the land above the underground mining sites. Depending on the circumstances, the Group may relocate inhabitants from the land above the underground mining sites prior to mining those sites or the Group may compensate the inhabitants for losses or damages from land subsidence after the underground sites have been mined. The Group may also be required to make payments for restoration, rehabilitation or environmental protection of the land after the underground sites have been mined.

An estimate of such costs is recognized in the period in which the obligation is identified and is charged as an expense in proportion to the coal extracted. At each statement of financial position date, the Group adjusts the estimated costs in accordance with the actual land subsidence status. The provision is also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalised cost, except where a reduction in the provision is greater than the undepreciated capitalised cost of any related assets, in which case the capitalised cost is reduced to nil and remaining adjustment is recognized in the income statement. Changes to the capitalised cost result in an adjustment to future depreciation and financial charges.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present values of the minimum lease payments of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as an obligation under finance leases.

Each lease payment is allocated between liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The finance lease liabilities are included in current and non-current borrowings. The finance charges are expensed in the income statement over the lease periods so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The assets accounted for as finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

Provisions and contingent liabilities

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

All other borrowings costs are recognized as expenses in the period in which they are incurred.

Foreign currencies

In the individual financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e., the currency of the primary environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

Exchange differences on monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

In the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Renminbi) at the rate of exchange prevailing at the reporting date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

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

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

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

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Short-term and other long-term employee benefits

Benefits accruing to employees in respect of wages and salaries, annual leave and sick leave are included in trade and other payables. Related on-costs are also included in trade and other payables as other creditors. Long service leave is provided for when it is probable that settlement will be required and it is capable of being measured reliably.

Employee benefits expected to be settled within 12 months are measured using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Financial assets at FVTPL

Financial assets at FVTPL included financial assets held for trading and financial assets designated as FVTPL upon initial recognition.

Financial assets are classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL (continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial assets and is included in the other income line item in the consolidated statement of profit or loss. Fair value is determined in the manner described in note 47.

Royalty receivable is remeasured based on sales volume, price changes, foreign currency exchange rates and expected future cash flows at each reporting date. The gain or loss arising from the change in fair value of royalty receivable is recognized in profit or loss. Royalty receivable is reduced by cash receipts and decreases with time. Since the contract is long term, the unwinding discount (to reflect time value of money) is recognized in interest income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including bank balances and cash, term deposits, restricted cash, bills and accounts receivable, long-term receivables, other receivables and deposits on investments) are subsequently measured at amortized cost using the effective interest method, less any identified impairment loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

For certain categories of financial assets, such as bills and accounts receivable and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in other comprehensive income and accumulated in investments revaluation reserve.

Financial liabilities and equity instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial liabilities

The Group's financial liabilities including bills and accounts payables, other payables, amounts due to Parent Company and its subsidiary companies, long term payables and borrowings which are initially recognized at fair value and subsequently measured at amortized cost, using the effective interest method and financial liabilities at fair value through profit or loss.

Financial liabilities and equity

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at FVTPL (continued)

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss is recognized in profit or loss includes any interest paid on the financial liabilities. Fair value is determined in a manner described in note 47.

Effective interest method

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

Equity instruments

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

Perpetual capital securities and subordinated capital notes issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, are classified as equity instruments and are initially recorded at the proceeds received.

Offsetting financial instruments

Financial assets and liabilities of the Group are offset and the net amount presented in the consolidated statement of financial position when, and only when, there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value at the date when a derivative contract is entered into and are subsequently remeasured at their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either: (i) hedges of the fair value of recognized assets or liabilities (fair value hedge); and (ii) hedges of highly probable forecast transactions (cash flow hedge).

The fair values of various derivative instruments used for hedging purposes are disclosed in note 40. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income and accumulated in cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in cash flow hedge reserve in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

(ii) Derivatives that do not qualify for hedge accounting and those not designated as hedging instruments

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting and those not designated as hedges are recognized immediately in the profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Derecognition

A financial asset is derecognized only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

A financial liability is derecognized when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

5. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Depreciation of property, plant and equipment

The cost of mining structures (note 24) is depreciated using the unit of production method based on the estimated production volume for which the structure was designed. The management exercises their judgment in estimating the useful lives of the depreciable assets and the production volume of the mine. The estimated coal production volumes are updated at regular intervals and have taken into account recent production and technical information about each mine. These changes are considered a change in estimate for accounting purposes and are reflected on a prospective basis in related depreciation rates. Estimates of the production volume are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information.

5. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Amortization of assets

Mining reserve and mining resources (note 23) are amortized on a straight line basis or unit of production basis over the shorter of their useful lives and the contractual period. The expensing of overburden removal costs is based on saleable coal production over estimated economically recoverable reserves. The useful lives are estimated on the basis of the total proven and probable reserves of the mine. Proven and probable mining reserve estimates are updated at regular intervals and have taken into account recent production and technical information about each mine.

Provision for land subsidence, restoration, rehabilitation and environmental costs

The provision (note 37) is reviewed regularly to verify that it properly reflects the remaining obligation arising from the current and past mining activities. Provision for land subsidence, restoration, rehabilitation and environmental costs are determined by the management based on their best estimates of the current and future costs, latest government policies and past experiences.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31 December 2016, the carrying amount of goodwill is RMB1,646,717,000 (2015: RMB2,296,083,000). During the year ended 31 December 2016, impairment loss on goodwill amounted to RMB668,210,000 (2015: RMB326,918,000) was recognized by the Group and details are set out in note 25.

Cash flow projections during the budget period for each of the above units are based on the budgeted revenue and expected gross margins during the budget period and the raw materials price inflation during the budget period. Expected cash inflows/outflows have been determined based on past performance and management's expectations for the market development.

Estimated impairment of property, plant and equipment

When there is an impairment indicator, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. In estimating the future cash flows, the management have taken into account the recent production and technical advancement. As prices and cost levels change from year to year, the estimate of the future cash flow also changes. Notwithstanding the management has used all the available information to make their impairment assessment, inherent uncertainty exists on conditions of the mine and of the environment and actual written off may be higher than the amount estimated. As at 31 December 2016, the carrying amounts of property, plant and equipment is approximately RMB31,023,022,000 (2015: RMB28,659,378,000). During the year ended 31 December 2016, no impairment loss on property, plant and equipment (2015: nil) was recognized by the Group.

5. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Exploration and evaluation expenditure

Under the Group's accounting policy, exploration expenditure is not capitalized. Evaluation expenditure is capitalized when there is a high degree of confidence that the Group will determine that a project is commercially viable and therefore it is considered probable that future economic benefits will flow to the Group.

There are occasions when the Group concludes that the asset recognition criteria are met at an earlier stage than approval to proceed. In these cases, evaluation expenditure is capitalised if there is a high degree of confidence that the Group will determine the project is commercially viable. The Group's view is that a high degree of confidence is greater than "more likely than not" (that is greater than 50 per cent certainty) and less than "virtually certain" (that is less than 90 per cent certainty). Determining whether there is a high degree of confidence that the Group will determine that an evaluation project is commercially viable requires a significant degree of judgment and assessment of all relevant factors such as the nature and objective of the project; the project's current stage and project timeline; current estimates of the project's net present value including sensitivity analyses for the key assumptions; and the main risks of the project. Development expenditure incurred prior to the decision to proceed is subject to the same criteria for capitalization, being a high degree of confidence that the Group will determine that a project is commercially viable.

In accordance with IFRS 6 "Exploration for and Evaluation of Mineral Resources", the criteria for the capitalization of evaluation costs are applied consistently from period to period.

Subsequent recovery of the carrying value for evaluation costs depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any related impairment provisions are charged to the consolidated statement of profit or loss.

6. SEGMENT INFORMATION

The Group is engaged primarily in the mining business. The Group is also engaged in the coal railway transportation business. The Company does not currently have direct export rights in the PRC and all of its export sales is made through China National Coal Industry Import and Export Corporation ("National Coal Corporation"), Minmetals Trading Co., Ltd. ("Minmetals Trading") or Shanxi Coal Imp. & Exp. Group Corp. ("Shanxi Coal Corporation"). The exploitation right of the Group's foreign subsidiaries is not restricted. The final customer destination of the Group's export sales is determined by the Group, National Coal Corporation, Minmetals Trading or Shanxi Coal Corporation. Certain of the Company's subsidiaries and associates are engaged in trading and processing of mining machinery and the transportation business via rivers and lakes and financial services in the PRC. No separate segment information about these businesses is presented in these financial statements as the underlying gross sales, results and assets of these businesses, which are currently included in the mining business segment, are insignificant to the Group. Certain of the Company's subsidiaries are engaged in production of methanol and other chemical products, and invest in heat and electricity. Upon the acquisition of Yankuang Donghua Heavy Industry Limited ("Donghua"), the Group is also engaged in the manufacturing of comprehensive coal mining and excavating equipment.

Gross revenue disclosed below is same as the turnover (total revenue).

6. SEGMENT INFORMATION (continued)

For management purposes, the Group is currently organized into four operating divisions-coal mining, coal railway transportation, methanol, electricity and heat supply and equipment manufacture. These divisions are the basis on which the Group reports its segment information.

Principal activities are as follows:

Coal mining	Underground and open-cut mining, preparation and sales of coal and potash mineral exploration
Coal railway transportation	Provision of railway transportation services
Methanol, electricity and heat supply	Production and sales of methanol and electricity and related heat supply services
Equipment manufacturing	Manufacturing of comprehensive coal mining and excavating equipment

The accounting policies of the reportable segments are same as the Group's accounting policies described in note 4. Segment results represents the results of each segment without allocation of corporate expenses and directors' emoluments, share of results of associates and joint ventures, interest income, interest expenses and income tax expenses. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

Unallocated corporate income for the three years ended 31 December 2016 mainly included exchange gain and other sundry items.

Unallocated corporate expenses for the three years ended 31 December 2016 mainly included bank charges, salaries and other employee benefits, miscellaneous taxes and other sundry items.

Unallocated corporate assets at 31 December 2014, 2015 and 2016 mainly included certain bank balances and cash, investments in securities, deferred tax assets and other sundry items.

Unallocated corporate liabilities at 31 December 2014, 2015 and 2016 mainly included certain borrowings, deferred taxation and sundry items.

6. SEGMENT INFORMATION (continued)

(a) Segment revenues and results

Segment information about these businesses is presented below:

	For the year ended 31 December 2016					Consolidated RMB'000
	Coal mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Equipment manufacturing RMB'000	Eliminations RMB'000	
SEGMENT REVENUE						
External	29,295,367	287,355	3,030,610	659,100	-	33,272,432
Inter-segment	308,120	40,191	521,554	789,557	(1,659,422)	-
Total	29,603,487	327,546	3,552,164	1,448,657	(1,659,422)	33,272,432

Inter-segment revenue is charged at prices pre-determined by the relevant governmental authority.

	For the year ended 31 December 2016						Consolidated RMB'000
	Coal mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Equipment manufacturing RMB'000	Unallocated RMB'000	Eliminations RMB'000	
RESULTS							
Segment results	4,334,005	24,122	570,876	116,152	-	-	5,045,155
Unallocated corporate expenses	-	-	-	-	-	-	(2,241,348)
Unallocated corporate income	-	-	-	-	-	-	943,205
Interest income	-	-	-	-	-	-	751,114
Share of profit of associates	305,895	-	152,573	-	249,900	-	708,368
Share of loss of joint ventures	(10,366)	-	-	-	-	-	(10,366)
Finance costs	-	-	-	-	-	-	(2,501,016)
Profit before income taxes							2,695,112
Income taxes expenses							(816,908)
Profit for the year							1,878,204

6. SEGMENT INFORMATION (continued)

(a) Segment revenues and results (continued)

	For the year ended 31 December 2015					Consolidated RMB'000
	Coal mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Equipment manufacturing RMB'000	Eliminations RMB'000	
SEGMENT REVENUE						
External	32,875,951	327,311	2,890,906	309,918	-	36,404,086
Inter-segment	397,549	36,527	525,253	450,262	(1,409,591)	-
Total	33,273,500	363,838	3,416,159	760,180	(1,409,591)	36,404,086

Inter-segment revenue is charged at prices pre-determined by the relevant governmental authority.

	For the year ended 31 December 2015					Consolidated RMB'000
	Coal Mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Equipment manufacturing RMB'000	Eliminations RMB'000	
RESULTS						
Segment results	2,302,929	6,765	716,440	72,948	-	3,099,082
Unallocated corporate expenses	-	-	-	-	-	(1,857,420)
Unallocated corporate income	-	-	-	-	-	236,313
Interest income	-	-	-	-	-	1,296,787
Share of profit						
(loss) of associates	195,149	-	307,215	-	-	502,364
Share of loss of joint ventures	(170,458)	-	-	-	-	(170,458)
Finance cost	-	-	-	-	-	(2,484,411)
Profit before income taxes						622,257
Income taxes expenses						(489,637)
Profit for the year						132,620

6. SEGMENT INFORMATION (continued)

(a) Segment revenues and results (continued)

	For the year ended 31 December 2014				
	Coal mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Eliminations RMB'000	Consolidated RMB'000
GROSS REVENUE					
External	58,539,353	373,617	1,457,794	–	60,370,764
Inter-segment	457,681	74,157	530,671	(1,062,509)	–
Total	58,997,034	447,774	1,988,465	(1,062,509)	60,370,764
RESULTS					
Segment results	4,555,773	12,801	434,332	–	5,002,906
Unallocated corporate expenses	–	–	–	–	(2,206,540)
Unallocated corporate income	–	–	–	–	161,419
Interest income	–	–	–	–	835,931
Share of profit of associates	304,945	–	5,659	–	310,604
Share of loss of joint ventures	(320,829)	–	–	–	(320,829)
Finance cost	–	–	–	–	(2,183,581)
Profit before income taxes					1,599,910
Income taxes expenses					(1,112,807)
Profit for the year					487,103

6. SEGMENT INFORMATION (continued)

(b) Segment assets and liabilities

	As at 31 December 2016					Consolidated RMB'000
	Coal mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Equipment manufacturing RMB'000	Unallocated RMB'000	
ASSETS						
Segment assets	111,553,219	456,946	6,307,618	6,580,469	-	124,898,252
Interest in associates	2,566,692	-	1,044,871	-	1,521,709	5,133,272
Interest in joint ventures	65,390	-	-	-	-	65,390
Unallocated corporate assets						17,358,558
						147,455,472
LIABILITIES						
Segment liabilities	30,447,659	292,267	3,258,118	5,391,507	-	39,389,551
Unallocated corporate liabilities	-	-	-	-	-	54,662,368
						94,051,919

	As at 31 December 2015					Consolidated RMB'000
	Coal mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Equipment manufacturing RMB'000	Unallocated RMB'000	
ASSETS						
Segment assets	111,690,752	381,687	5,268,752	3,146,304	-	120,487,495
Interest in associates	2,233,665	-	1,030,099	-	-	3,263,764
Interest in joint ventures	57,479	-	-	-	-	57,479
Unallocated corporate assets	-	-	-	-	-	18,663,137
						142,471,875
LIABILITIES						
Segment liabilities	32,980,697	295,693	3,278,533	3,296,306	-	39,851,229
Unallocated corporate liabilities						56,818,992
						96,670,221

6. SEGMENT INFORMATION (continued)

(b) Segment assets and liabilities (continued)

	As at 31 December 2014			Consolidated RMB'000
	Coal mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	
ASSETS				
Segment assets	106,340,138	384,587	5,169,555	111,894,280
Interest in associates	1,766,872	–	1,188,757	2,955,629
Interest in joint ventures	130,867	–	–	130,867
Unallocated corporate assets				18,117,338
				133,098,114
LIABILITIES				
Segment liabilities	30,639,691	140,951	3,453,427	34,234,069
Unallocated corporate liabilities				52,865,529
				87,099,598

(c) Other segment information

	For the year ended 31 December 2016					Consolidated RMB'000
	Coal mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Equipment manufacturing RMB'000	Corporate RMB'000	
Capital additions	6,997,590	16,951	4,460	1,303,577	9	8,322,587
Investment in an associate	–	–	–	–	550,000	550,000
Amortization of intangible assets	719,557	–	6,017	1,364	153	727,091
Depreciation of property, plant and equipment	2,210,282	48,183	569,499	610,507	1,523	3,439,994
Release of prepaid lease payments	11,613	7,316	5,483	3,435	–	27,847
Impairment loss on:						
– inventories	7,649	–	–	1,745	–	9,394
– goodwill	668,210	–	–	–	–	668,210
– accounts and other receivables	1,109,053	–	–	–	–	1,109,053
Reversal of impairment loss on inventories	(17,360)	–	–	–	–	(17,360)

6. SEGMENT INFORMATION (continued)

(c) Other segment information (continued)

	For the year ended 31 December 2015					Consolidated RMB'000
	Coal mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Equipment manufacturing RMB'000	Corporate RMB'000	
Capital additions (note)	9,860,172	28,060	76,866	3,338,487	48,826	13,352,411
Investment in an associate	-	-	-	-	264,560	264,560
Amortization of intangible assets	708,720	-	10,055	603	13	719,391
Depreciation of property, plant and equipment	2,889,848	52,422	415,894	382,295	2,117	3,742,576
Release of prepaid lease payments	11,575	5,372	3,690	697	-	21,334
Impairment loss on:						
- inventories	26,437	-	-	-	-	26,437
- goodwill	326,918	-	-	-	-	326,918
- accounts and other receivables	41,512	-	-	15,060	3	56,575
Reversal of impairment loss on inventories	(18,858)	-	-	-	-	(18,858)

Note: Capital additions include those arising from the acquisition of Donghua (note 48) and 1% equity interest of Moolarbon joint operation (note 49).

	For the year ended 31 December 2014					Consolidated RMB'000
	Coal Mining RMB'000	Coal railway transportation RMB'000	Methanol, electricity and heat supply RMB'000	Corporate RMB'000		
Capital additions (note 1)	5,296,579	4,984	2,096,313	91,527	7,489,403	
Addition of investment in an associate	-	-	-	125,000	125,000	
Amortization of intangible assets	1,103,089	-	13,393	-	1,116,482	
Depreciation of property, plant and equipment	2,594,622	63,055	418,693	2,385	3,078,755	
Release of prepaid lease payments	10,302	5,372	3,214	-	18,888	
(Reversal of impairment) impairment loss on:						
- intangible assets	(731,332)	-	-	-	(731,332)	
- inventories	8,621	-	-	-	8,621	
- accounts and other receivables	15,222	-	(693)	-	14,529	

Note 1: Capital additions include those arising from the acquisition of equity interest in Ashton Coal Mines Limited.

6. SEGMENT INFORMATION (continued)

GEOGRAPHICAL INFORMATION

The following table sets out the geographical information. The geographical location of sales to external customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interests in associates and joint ventures.

The geographical information of revenue are as follows:

	Revenue from external customers For the year ended 31 December		
	2016 RMB'000	2015 RMB'000	2014 RMB'000
The PRC (place of domicile)	26,464,012	28,686,244	52,912,594
Australia	1,612,076	1,383,976	1,346,979
Others	5,196,344	6,333,866	6,111,191
Total	33,272,432	36,404,086	60,370,764

The geographical information of non-current assets (note) are as follows:

	Non-current assets At 31 December		
	2016 RMB'000	2015 RMB'000	2014 RMB'000
The PRC (place of domicile)	63,649,438	60,771,128	55,636,862
Australia	24,836,906	22,057,202	30,275,107
Canada	1,790,997	1,549,218	1,646,191
Total non-current assets	90,277,341	84,377,548	87,558,160

Note: Non-current assets excluded restricted cash, investments in securities, held-to-maturity investments, long-term receivables, royalty receivables, deposits made on investments and deferred tax assets.

For the year ended 31 December 2016, the revenue from external customers of mining segment amounted to RMB29,295,367,000 (2015: RMB32,875,951,000; 2014: RMB58,539,353,000) which including sales to the Group's largest customer located in the PRC of approximately RMB8,313,701,000 (2015: RMB880,380,000; 2014: RMB2,235,199,000). As at 31 December 2016, accounts receivable from this customer accounted for nil (2015: nil) of the Group's total accounts receivable.

7. NET SALES OF COAL

	Year ended 31 December		
	2016 RMB'000	2015 RMB'000	2014 RMB'000
Coal sold in the PRC, gross	23,325,842	25,309,377	51,125,696
Less: Transportation costs	(367,644)	(610,269)	(880,224)
Coal sold in the PRC, net	22,958,198	24,699,108	50,245,472
Coal sold outside the PRC, gross	5,969,525	7,566,574	7,413,657
Less: Transportation costs	(1,442,448)	(1,468,633)	(1,411,370)
Coal sold outside the PRC, net	4,527,077	6,097,941	6,002,287
Net sales of coal	27,485,275	30,797,049	56,247,759

Net sales of coal represent the invoiced value of coal sold and are net of returns, discounts and transportation costs if the invoiced value includes transportation costs to the customers.

8. COST OF SALES AND SERVICES PROVIDED

Cost of sales and services provided included:

	Year ended 31 December		
	2016 RMB'000	2015 RMB'000	2014 RMB'000
Wages and employee benefits	4,348,432	4,643,419	6,405,198
Depreciation	1,546,382	2,055,167	2,230,146
Amortization of mining rights	707,018	693,626	1,103,089

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9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses included:

	Year ended 31 December		
	2016 RMB'000	2015 RMB'000	2014 RMB'000
Wages and employee benefits	2,042,025	1,939,634	2,092,715
Release of prepaid lease payment	27,847	21,334	18,888
Amortization of intangible assets	20,073	25,765	13,393
Depreciation	368,379	303,890	396,120
Research and development	77,574	38,072	33,929
Impairment loss on accounts and other receivables	1,109,053	56,575	14,529
Impairment loss on goodwill	668,210	326,918	-
Impairment loss on inventories	9,394	26,437	8,621
Loss on disposal of property, plant and equipment	153,321	16,422	-
Exchange loss, net	341,883	201,788	-
Loss on change in fair value of royalty receivable	30,872	-	87,634

10. OTHER INCOME AND GAINS

	Year ended 31 December		
	2016 RMB'000	2015 RMB'000	2014 RMB'000
Dividend income (note a)	58,477	31,981	7,385
Gain on sales of investments in securities	-	204,331	-
Gain on sales of auxiliary materials	884,728	170,688	71,060
Government grants (note c)	652,077	184,594	238,083
Interest income	743,362	1,296,787	835,931
Exchange gain, net	-	-	154,034
Bargain purchase	-	-	147,993
Gain on acquisition of additional interest in joint operation (note b and note 49)	-	30,930	-
Gain on disposals of property, plant and equipment	10,881	9,069	5,986
Gain on change in fair value of royalty receivable	-	11,913	-
Reversal of impairment loss on intangible assets	-	-	731,332
Rental income	5,722	80,056	8,680
Reversal of impairment loss on inventories	17,360	18,858	-
Service income	106,541	130,210	-
Others	343,723	148,438	181,702
	2,822,871	2,317,855	2,382,186

Note a: The above dividend income is from listed investments.

Note b: During the year ended 31 December 2015, Yancoal Australia acquired additional 1% equity interests in Moolarben joint operation. The Group held 81% (2014: 80%) equity interest in Moolarben joint operation.

Note c: Government grant mainly represented subsidiaries provided to the Group to finance its operations and there were no unfulfilled conditions.

11. FINANCE COST

	Year ended 31 December		
	2016 RMB'000	2015 RMB'000	2014 RMB'000
Interest expenses on:			
– Bank and other borrowings	2,791,090	2,546,329	2,827,885
– Bills receivable discounted without recourse	6,164	36,602	2,738
	2,797,254	2,582,931	2,830,623
Less: interest expenses capitalized into construction in progress (capitalization rate for the year ended 31 December 2016, 2015 and 2014: 4.75%-6.40%, 4.75%-6.00% and 6.00%-6.90% respectively)	(296,238)	(98,520)	(647,042)
	2,501,016	2,484,411	2,183,581

12. INCOME TAX EXPENSES

	Year ended 31 December		
	2016 RMB'000	2015 RMB'000	2014 RMB'000
Income taxes:			
Current taxes	1,746,861	677,089	1,421,048
Under provision in prior years	–	–	19,119
	1,746,861	677,089	1,440,167
Deferred taxes (note 42)			
Australian Minerals Resources Rent Tax (note)	–	–	602,180
Others	(929,953)	(187,452)	(929,540)
	816,908	489,637	1,112,807

Except Yiginhuoluo Qi Nalin Tao Hai Town An Yuan Coal Mine and Mongolia Xintai Coal Mining Company Limited, the Company and its subsidiaries in the PRC are subject to a standard income tax rate of 25% on its taxable income (2015: 25%; 2014: 25%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Note: The Australian Minerals Resources Rent Tax (“MRRT”) legislation was enacted on 19 March 2012 and effective from 1 July 2012. According to the relevant provisions of the MRRT tax laws, subsidiaries in Australia are required to determine the starting base allowance on the statement of financial position. Book value or market value approach can be selected in calculating the starting base and subsequently amortize within the prescribed useful life. Market value approach was selected for mines in Australia. Under the market value approach, base value is determined based on market value of the coal mines on 1 May 2010 and amortize based on the shorter of the life of mining project, mining rights and mining production.

During 2013, the Australian Government released an exposure draft legislation which proposed to repeal the MRRT legislation. On 5 September 2014, the Minerals Resource Rent Tax Repeal and Other Measures Act 2014 received royal assent. Entities would not be required to pay MRRT commencing on 1 October 2014, accordingly, the current and deferred MRRT assets and liabilities had been derecognized in 2014.

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12. INCOME TAX EXPENSES (continued)

The total tax charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	Year ended 31 December		
	2016 RMB'000	2015 RMB'000	2014 RMB'000
Standard income tax rate in the PRC	25%	25%	25%
Standard income tax rate applied to income before income taxes	673,778	155,564	399,977
Reconciling items:			
Tax effect of expenses not deductible for tax purpose	309,256	391,247	127,389
Deemed interest income from subsidiaries subject to tax	105,827	160,513	250,699
Tax effect of tax losses not recognized	–	44,417	314,680
Under provision in prior years	–	–	19,119
MRRT	–	–	421,526
Utilization of unrecognized tax losses in prior years	(43,902)	(129,031)	(172,892)
Effect of tax rate differences in other taxation jurisdictions	(168,738)	(116,417)	(156,363)
Others	(59,313)	(16,656)	(91,328)
Income taxes	816,908	489,637	1,112,807
Effective income tax rate	30.31%	78.69%	69.55%

13. PROFIT BEFORE INCOME TAXES

	Year ended 31 December		
	2016 RMB'000	2015 RMB'000	2014 RMB'000
Profit before income taxes has been arrived at after charging:			
Amortization of intangible assets	727,091	719,391	1,116,482
Depreciation of property, plant and equipment			
– Under finance leases	496,013	56,243	15,935
– Self-owned	2,943,981	3,686,333	3,062,820
Total depreciation and amortization	4,167,085	4,461,967	4,195,237
Release of prepaid lease payments	27,847	21,334	18,888
Auditors' remuneration	18,500	17,348	15,325
Staff costs, including directors', chief executive director's, supervisors' and management team's emoluments	6,640,412	7,637,544	10,056,870
Retirement benefit scheme contributions (included in staff costs above)	1,358,777	1,726,142	1,865,769
Cost of inventories	9,584,070	15,680,162	34,942,943
Research and development costs	77,574	38,072	33,929
Operating lease charges in respect of leased premises	103,333	64,010	55,230

14. DIRECTORS', CHIEF EXECUTIVE DIRECTOR'S, SUPERVISORS' AND MANAGEMENT TEAM'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

Directors', chief executive director's, supervisors' and management team's emoluments

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	For the year ended 31 December 2016			Total RMB'000
	Fees RMB'000	Salaries, allowance and other benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	
Independent non-executive directors				
Wang Xiaojun	130	-	-	130
Xue Youzhi ³	54	-	-	54
Wang Lijie ⁷	130	-	-	130
Jia Shaohua	130	-	-	130
Qi Anbang ²	76	-	-	76
	520	-	-	520
Executive directors				
Wu Yuxiang	-	265	48	313
Zhang Baocai ¹	-	1,683	21	1,704
Yin Mingde ¹	-	337	61	398
Wu Xiangqian	-	474	82	556
Jiang Qingquan ⁵	-	173	30	203
Guo Jun ⁴	-	243	42	285
Li Wei* ²	-	-	-	-
Zhao Qingchun ⁶	-	122	20	142
Guo Dechun ²	-	549	96	645
	-	3,846	400	4,246
Chief executive director				
Li Xiyong*	-	-	-	-

14. DIRECTORS', CHIEF EXECUTIVE DIRECTOR'S, SUPERVISORS' AND MANAGEMENT TEAM'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (continued)

Directors', chief executive director's, supervisors' and management team's emoluments (continued)

	For the year ended 31 December 2016			
	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings			
	Fees	Salaries, allowance and other benefits	Retirement benefit scheme contributions	Total
RMB'000	in kind RMB'000	RMB'000	RMB'000	
Supervisors				
Zhang Shengdong*	-	-	-	-
Gu Shisheng*	-	-	-	-
Zhen Ailan*	-	-	-	-
Chen Zhongyi	-	296	50	346
Jiang Qingquan ⁶	-	238	41	279
Guo Jun ⁵	-	176	31	207
Zhao Qingchun ¹	-	88	15	103
Meng Qinjian* ²	-	-	-	-
Xue Zhongyong* ²	-	-	-	-
	-	798	137	935
Other management team				
Liu Chun	-	443	77	520
Shi Chengzhong	-	444	77	521
Wang Fuqi	-	319	55	374
Ding Guangmu	-	431	75	506
Zhao Honggang	-	416	72	488
Jin Qingbin	-	248	42	290
Liu Jian ⁹	-	2	-	2
An ManLin ⁹	-	2	-	2
	-	2,305	398	2,703
Total	520	6,949	935	8,404

* Emoluments paid to these directors, the chief executive director, supervisors and management team were borne by the Parent company.

¹ Appointed on 6 January 2016.

² Appointed on 29 March 2016

³ Appointed on 3 June 2016.

⁴ Resigned on 3 June 2016.

⁵ Re-designated from supervisor to executive director on 3 June 2016.

⁶ Re-designated from executive director to supervisor on 3 June 2016.

⁷ Re-designated from other management to executive director on 3 June 2016.

⁸ Resigned on 13 August 2016.

⁹ Appointed on 30 December 2016.

14. DIRECTORS', CHIEF EXECUTIVE DIRECTOR'S, SUPERVISORS' AND MANAGEMENT TEAM'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (continued)

Directors', chief executive director's, supervisors' and management team's emoluments (continued)

	For the year ended 31 December 2015			
	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings			
	Fees	Salaries, allowance and other benefits	Retirement benefit scheme contributions	Total
	RMB'000	in kind RMB'000	RMB'000	RMB'000
Independent non-executive directors				
Wang Xiaojun	130	-	-	130
Xue Youzhi	130	-	-	130
Wang Lijie	130	-	-	130
Jia Shaohua	130	-	-	130
	520	-	-	520
Executive directors				
Zhang Xinwen*	-	-	-	-
Wu Yuxiang	-	522	101	623
Zhang Baocai	-	1,714	42	1,756
Yin Mingde	-	554	108	662
Wu Xiangqian	-	637	124	761
Jiang Qingquan	-	448	87	535
	-	3,875	462	4,337
Chief executive director				
Li Xiyong*	-	-	-	-

14. DIRECTORS', CHIEF EXECUTIVE DIRECTOR'S, SUPERVISORS' AND MANAGEMENT TEAM'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (continued)

Directors', chief executive director's, supervisors' and management team's emoluments (continued)

	For the year ended 31 December 2015			
	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings			
	Fees	Salaries, allowance and other benefits in kind	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Supervisors				
Shi Xuerang*	-	-	-	-
Zhang Shengdong*	-	-	-	-
Gu Shisheng*	-	-	-	-
Zhen Ailan*	-	-	-	-
Guo Jun	-	477	92	569
Chen Zhongyi	-	402	77	479
	-	879	169	1,048
Other management team				
Liu Chun	-	526	102	628
Shi Chengzhong	-	548	107	655
Wang Fuqi	-	469	91	560
Ding Guangmu	-	465	90	555
Zhao Honggang	-	521	101	622
Zhao Qingchun	-	462	89	551
Jin Qingbin	-	302	58	360
	-	3,293	638	3,931
Total	520	8,047	1,269	9,836

* Emoluments paid to these directors, the chief executive director, supervisors and management team were borne by the Parent company.

14. DIRECTORS', CHIEF EXECUTIVE DIRECTOR'S, SUPERVISORS' AND MANAGEMENT TEAM'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (continued)

Directors', chief executive director's, supervisors' and management team's emoluments (continued)

	For the year ended 31 December 2014			Total RMB'000
	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings			
	Fees RMB'000	Salaries, allowance and other benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	
Independent non-executive directors				
Wang Xiaojun	130	-	-	130
Wang Xianzheng	54	-	-	54
Cheng Faguang	54	-	-	54
Xue Youzhi	130	-	-	130
Wang Lijie	76	-	-	76
Jia Shaohua	76	-	-	76
	520	-	-	520
Executive directors				
Zhang Xinwen*	-	-	-	-
Wang Xin*	-	-	-	-
Zhang Yingmin	-	226	42	268
Li Weimin*	-	-	-	-
Shi Xuerang*	-	-	-	-
Wu Yuxiang	-	518	101	619
Zhang Baocai	-	2,074	102	2,176
Dong Yunqing	-	322	62	384
Yin Mingde	-	876	172	1,048
Wu Xiangqian	-	859	169	1,028
Jiang Qingquan	-	396	76	472
	-	5,271	724	5,995
Chief executive director				
Li Xiyong*	-	-	-	-

14. DIRECTORS', CHIEF EXECUTIVE DIRECTOR'S, SUPERVISORS' AND MANAGEMENT TEAM'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (continued)

Directors', chief executive director's, supervisors' and management team's emoluments (continued)

	For the year ended 31 December 2014			
	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings			
	Fees RMB'000	Salaries, allowance and other benefits	Retirement benefit scheme	Total RMB'000
		in kind RMB'000	contributions RMB'000	
Supervisors				
Song Guo*	-	-	-	-
Zhang Shengdong*	-	-	-	-
Zhou Shoucheng*	-	-	-	-
Zhen Ailan*	-	-	-	-
Wei Huanmin	-	539	105	644
Xu Bentai	-	566	110	676
Guo Jun	-	794	156	950
Chen Zhongyi	-	290	55	345
	-	2,189	426	2,615
Other management team				
Liu Chun	-	547	107	654
He Ye*	-	-	-	-
Tian Fengze	-	558	109	667
Shi Chengzhong	-	547	107	654
Ni Xinghua	-	570	111	681
Lai Cunliang*	-	-	-	-
Wang Fuqi	-	391	75	466
Ding Guangmu	-	373	72	445
Zhao Honggang	-	217	41	258
	-	3,203	622	3,825
Total	520	10,663	1,772	12,955

* Emoluments paid to these directors, the chief executive director, supervisors and management team were borne by the Parent company.

None of the directors, the chief executive director, supervisors or members of the management team waived any of their emoluments in each of the year ended 31 December 2016, 2015 and 2014.

14. DIRECTORS', CHIEF EXECUTIVE DIRECTOR'S, SUPERVISORS' AND MANAGEMENT TEAM'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (continued)

Employees' emoluments

The five highest paid individuals in the Group included three directors for the year ended 31 December 2016 (2015: three; 2014: three). The emoluments of the five highest paid individuals (2015: five; 2014: five) were stated as follows:

	Year ended 31 December		
	2016 RMB'000	2015 RMB'000	2014 RMB'000
Salaries, allowance and other benefits in kind	10,049	9,346	16,801
Retirement benefit scheme contributions	512	448	586
Discretionary bonuses	8,582	7,823	6,655
	19,143	17,617	24,042

Their emoluments were within the following bands:

	Year ended 31 December		
	2016	2015	2014
HK\$500,001 to HK\$1,000,000	2	2	–
HK\$1,000,001 to HK\$1,500,000	–	–	2
HK\$1,500,001 to HK\$2,000,000	1	–	–
HK\$2,000,001 to HK\$2,500,000	–	1	–
HK\$2,500,001 to HK\$3,000,000	–	1	1
HK\$3,000,001 to HK\$3,500,000	1	–	–
HK\$10,000,001 to HK\$10,500,000	–	–	1
HK\$14,500,001 to HK\$15,000,000	1	1	–
HK\$16,000,001 to HK\$16,500,000	–	–	1
	5	5	5

15. DIVIDEND RECOGNIZED AS DISTRIBUTION DURING THE YEAR

	Year ended 31 December		
	2016 RMB'000	2015 RMB'000	2014 RMB'000
2015 final dividend, RMB0.010 per share (2014 final dividend, RMB0.020 per share, 2013 final dividend, RMB0.020 per share)	49,324	98,368	98,368

In the annual general meeting held on 14 May 2014, a final dividend of RMB0.020 per share in respect of the year ended 31 December 2013 was approved by the shareholders and paid to the shareholders of the Company.

In the annual general meeting held on 22 May 2015, a final dividend of RMB0.020 per share in respect of the year ended 31 December 2014 was approved by the shareholders and paid to the shareholders of the Company.

In the annual general meeting held on 3 June 2016, a final dividend of RMB0.010 per share in respect of the year ended 31 December 2015 was approved by the shareholders and paid to the shareholders of the Company.

The board of directors proposes to declare a final dividend of approximately RMB589,442,000 calculated based on a total number of 4,912,016,000 shares issued at RMB1 each, at RMB0.12, in respect of the year ended 31 December 2016. The declaration and payment of the final dividend needs to be approved by the shareholders of the Company by way of an ordinary resolution in accordance with the requirements of the Company's Articles of Association. A shareholders' general meeting will be held for the purpose of considering and, if thought fit, approving this ordinary resolution.

16. EARNINGS PER SHARE AND PER ADS

The calculation of the earnings per share attributable to the equity holders of the Company for the years ended 31 December 2016, 2015 and 2014 is based on the profit attributable to the equity holders of the Company for the year of RMB1,649,391,000, RMB164,459,000 and RMB766,158,000 and on the weighted average 4,912,016,000 shares (excluding the ordinary shares repurchased in 2015 and cancelled in 2016), 4,918,200,000 shares, (excluding the ordinary shares repurchased in 2015) and 4,918,400,000 shares in issue, during 2016, 2015 and 2014 respectively.

The earnings per ADS have been calculated based on the profit for the relevant periods and on one ADS, being equivalent to 10 H shares.

Diluted earnings per share for the years ended 31 December 2016, 2015 and 2014 equal to the basic earnings per share as there is no dilutive effect of subordinated capital notes (note 45) on potential ordinary shares.

17. BANK BALANCES AND CASH/TERM DEPOSITS AND RESTRICTED CASH

Bank balances carry interest at market rates which ranged from 0.30% to 2.10% (2015: from 0.30% to 2.10%) per annum.

At the reporting date, the restricted cash represents the deposits paid for safety work as required by the State Administrative of work safety and bank acceptance bill deposit which carry interest at market rates of 0.30% to 0.42% (2015: 0.01% to 0.60%) per annum and remaining portion represents deposits placed as guarantee for the future payment of land subsidence as required by the Australian government, which carry interest at average rate of 1.19% (2015: 1.19%) per annum.

Term deposits were pledged to certain banks as security for loans and banking facilities granted to the Group, which carry fixed interest rate ranging from 1.10% to 2.75% (2015: 0.60%-2.75%) per annum.

18. BILLS AND ACCOUNTS RECEIVABLES

	At 31 December	
	2016 RMB'000	2015 RMB'000
Accounts receivable	3,001,670	2,477,020
Less: Impairment loss	(151,812)	(59,914)
	2,849,858	2,417,106
Bills receivable	6,886,001	3,559,731
Total bills and accounts receivable, net	9,735,859	5,976,837

Bills receivable represents unconditional orders in writing issued by or negotiated from customers of the Group for completed sale orders which entitle the Group to collect a sum of money from banks or other parties. The bills are non-interest bearing and have a maturity of six months.

According to the credit rating of different customers, the Group allows a range of credit periods to its trade customers not exceeding 180 days.

The following is an aged analysis of bills and accounts receivable, net of provision for impairment, based on the invoice dates at the reporting dates:

	At 31 December	
	2016 RMB'000	2015 RMB'000
0-90 days	6,900,175	4,358,793
91-180 days	546,045	513,685
181-365 days	1,612,648	353,227
Over 1 year	676,991	751,132
	9,735,859	5,976,837

18. BILLS AND ACCOUNTS RECEIVABLE (continued)

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year.

The ageing analysis of the Group's bills and accounts receivables, that were past due but not yet impaired as at 31 December 2016 and 2015, based on due date is as follows:

	At 31 December	
	2016 RMB'000	2015 RMB'000
1-90 days	132,029	149,634
91-180 days	61,613	56,791
181-365 days	52,689	80,974
Over 1 year	525,078	605,439
	771,409	892,838

The Group does not hold any collateral over these balances. The average age of these receivables is 131 days (2015: 107 days). The management closely monitors the credit quality of accounts receivable and consider the balance that are neither past due nor impaired are of good credit quality.

The Group has provided fully for all receivables over 3 years because historical experience is such that receivables that are past due beyond 3 years are generally not recoverable. For receivable aged over 4 years and considered irrecoverable by the management will be written off.

An analysis of the impairment loss on bills and accounts receivable for 2016 and 2015 are as follows:

	At 31 December	
	2016 RMB'000	2015 RMB'000
Balance at 1 January	59,914	13,697
Provided for the year	91,898	46,217
Balance at 31 December	151,812	59,914

Included in the impairment loss on bills and accounts receivables is a balance of RMB151,812,000 (2015: RMB59,914,000) for individually impaired trade receivables, which are mainly due from corporate customers in the PRC and considered irrecoverable by the management after consideration on the credit quality of those individual customers, the ongoing relationship with the Group and the aging of these receivables. The impairment recognized represents the difference between the carrying amount of these trade receivables and the present value of the amounts.

19. ROYALTY RECEIVABLE

	At 31 December	
	2016 RMB'000	2015 RMB'000
As at 1 January	968,527	999,064
Cash received	(99,870)	(87,218)
Unwinding discount	101,819	103,297
Exchange re-alignment	58,157	(58,529)
Change in fair value	(30,872)	11,913
As at 31 December	997,761	968,527
Presented as:		
Current portion	156,461	93,083
Non-current portion	841,300	875,444
	997,761	968,527

A right to receive a royalty of 4% of Free on Board trimmed sales from Middlemount Coal Pty Ltd (“Middlemount”) mine operated by Middlemount Joint Venture was acquired as part of the acquisition of Gloucester Coal Limited (“Gloucester”). This financial assets has been determined to have a finite life being the life of the Middlemount and is measured at fair value basis.

The royalty receivable is measured based on management expectations of the future cash flows at each reporting date with the re-measurement recorded in profit or loss. The amount expected to be received in the next 12 month will be disclosed as current receivable and the discounted expected future cash flow beyond 12 months will be disclosed as a non-current receivable. Change in fair value is included in selling, general and administrative expenses (2015: other income and gains).

20. INVENTORIES

	At 31 December	
	2016 RMB'000	2015 RMB'000
COST		
Equipments		
Work in progress	131,147	102,632
Finished goods	131,710	155,669
	262,857	258,301
Methanol	63,619	17,279
Auxiliary material, spare parts and small tools	527,742	571,178
Coal products	665,910	1,005,575
Iron ore	567,242	-
Others	74,777	-
	2,162,147	1,852,333

20. INVENTORIES (continued)

During the year, there was a significant increase in the net realizable value of raw materials due to market price increase in coal. As a result, a reversal of write-down of raw materials of RMB17,360,000 (2015: RMB18,858,000) has been recognized and included in other income in the current year.

21. PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2016 RMB'000	2015 RMB'000
Advance to suppliers	3,943,418	2,736,863
Less: Impairment loss on advance to suppliers (i)	(1,046,678)	(29,523)
	2,896,740	2,707,340
Prepaid relocation costs of inhabitants	2,005,751	2,104,038
Dividend receivable	5,000	300,000
Other	2,405,650	2,857,440
	7,313,141	7,968,818

(i) Included in the above balances as of 31 December 2016 is individually impaired advances of RMB1,017,155,000.

The Group has provided fully for all receivables over 3 years because historical experience is such that receivables that are past due beyond 3 years are generally not recoverable. Receivable will be written off, if aged over 4 years and considered irrecoverable by the management after considering the credit quality of the individual party and the nature of the amount overdue. During the year ended 31 December 2016, there was no written off against prepayments and other receivables (2015: Nil).

22. PREPAID LEASE PAYMENTS

	At 31 December	
	2016 RMB'000	2015 RMB'000
Current portion	29,056	23,407
Non-current portion	872,202	900,942
	901,258	924,349

The amounts represent prepaid lease payments for land use rights which are situated in the PRC and have a term of 45 to 50 years from the date of grant of land use rights certificates.

23. INTANGIBLE ASSETS

	Mining reserves RMB'000	Mining resources RMB'000	Potash mineral exploration permit RMB'000	Technology RMB'000	Water licenses RMB'000	Others RMB'000	Total RMB'000
COST							
At 1 January 2015	36,962,052	4,204,067	1,357,984	226,417	130,585	115,670	42,996,775
Exchange re-alignment	(979,092)	(354,428)	(158,667)	(7,245)	(348)	(8,258)	(1,508,038)
Additions for the year	121,415	18,773	-	-	-	14,860	155,048
Reclassification	-	14,606	(14,606)	-	-	-	-
Acquisition of Donghua (note 48)	-	-	-	11,930	-	2,194	14,124
Reclassified as assets held for sale	(3,528,572)	-	-	-	(5,673)	(11,841)	(3,546,086)
At 31 December 2015 and 1 January 2016	32,575,803	3,883,018	1,184,711	231,102	124,564	112,625	38,111,823
Exchange re-alignment	765,095	272,565	108,591	7,203	-	7,326	1,160,780
Transfers from construction in progress	7,874,463	-	-	-	-	-	7,874,463
Additions for the year	107,913	-	-	9,463	121,132	3,417	241,925
At 31 December 2016	41,323,274	4,155,583	1,293,302	247,768	245,696	123,368	47,388,991
AMORTIZATION AND IMPAIRMENT							
At 1 January 2015	5,539,920	125,436	-	-	181	43,689	5,709,226
Exchange re-alignment	(166,067)	(7,245)	-	-	(277)	(18,621)	(192,210)
Provided for the year	693,626	-	-	5,545	4,983	15,237	719,391
Write-back of amortization associated with assets classified as held for sale	(377,879)	-	-	-	(246)	10,231	(367,894)
At 31 December 2015 and 1 January 2016	5,689,600	118,191	-	5,545	4,641	50,536	5,868,513
Exchange re-alignment	178,556	7,203	-	-	-	835	186,594
Provided for the year	707,018	-	-	7,203	-	12,870	727,091
At 31 December 2016	6,575,174	125,394	-	12,748	4,641	64,241	6,782,198
CARRYING VALUES							
At 31 December 2016	34,748,100	4,030,189	1,293,302	235,020	241,055	59,127	40,606,793
At 31 December 2015	26,886,203	3,764,827	1,184,711	225,557	119,923	62,089	32,243,310

23. INTANGIBLE ASSETS (continued)

The mining rights (mining reserves) are amortized based on unit of production method.

The potash mineral exploration permit is reclassified to mining resources or mining reserves according to its progress of exploration. Technology has not yet reached the stage of commercial application and therefore is not amortized. Patent also included in technology and it is amortized on a straight line basis of 10 years over the useful life.

Water licenses are amortized over the life of mine. If the mining activities of the relevant locations have not yet been started and the connections to water sources have not been completed, no amortization will be provided.

Other intangible assets mainly represent computer software which is amortized on a straight line basis of 2.5 to 5 years over the useful life.

Amortization expense of the mining rights for the year of RMB707,018,000 (2015: RMB693,626,000) has been included in cost of sales and service provided. Amortization expense of other intangible assets for the year of RMB20,073,000 (2015: RMB25,765,000) has been included in selling, general and administrative expenses.

At 31 December 2016, there is no intangible asset (2015: RMB15,350,517,000) have been pledged to secure the Group's borrowings (note 39).

During the year ended 31 December 2014, there has been an improvement in current and life of mine operating costs and an increase in the JORC reserves at the Moolarben mine. These factors have been considered a trigger for a reversal of impairment made in previous years. An impairment reversal of RMB731,332,000 has been recognized through the profit or loss. The recoverable amount for Moolarben was determined to be approximately RMB10.5 billion.

During the year ended 31 December 2015 and 2016, each cash generating unit's recoverable amount has been determined using the fair value less costs of disposal method. To provide an indication about the reliability of the inputs used in determining fair value the accounting standards prescribe three levels under which fair value measurements should be categorised (refer to Note 47c for further details). The fair value model adopted has been categorised as level 3.

Fair value less costs of disposal has been determined using a discounted cash flow model. The key assumptions to which the model is most sensitive include:

- Coal prices
- Foreign exchange rates
- Production and capital costs
- Discount rate
- Coal reserves and resources

In determining the value assigned to each key assumption, management has used external sources of information and utilised the expertise of external consultants and experts within the Group to validate entity specific assumptions such as coal reserves and resources.

23. INTANGIBLE ASSETS (continued)

Production and capital costs are based on the Group's estimate of forecasted geological conditions, stage of existing plant and equipment and future production levels. This information is obtained from internally maintained budgets, the five year business plan, life of mine models, life of mine plans and project evaluations performed by the Group in its ordinary course of business.

The Group has applied a post-tax discount rate of 8% to 10.5% (2015: 8% to 10.5%) to discount the forecast future attributable post-tax cash flows. The post-tax discount rate applied to the future cash flow forecasts represent an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. This rate is also consistent with the Group's five year business plan, life of mine models and project evaluations performed in ordinary course of business.

Based on the above assumptions at 31 December 2016, the recoverable amount is determined to be above carrying value for all cash generating units in Australia resulting in no further impairment (2015: Nil).

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24. PROPERTY, PLANT AND EQUIPMENT

	Freehold land in Australia RMB'000	Buildings RMB'000	Railway structures RMB'000	Mining structures RMB'000	Plant, machinery and equipment RMB'000	Transportation equipment RMB'000	Total RMB'000
COST							
At 1 January 2015	1,132,661	5,078,345	3,232,703	9,822,570	30,308,887	729,710	50,304,876
Exchange re-alignment	(65,798)	(29,602)	-	(247,545)	(555,525)	(18)	(898,488)
Acquisition of Donghua (note 48)	-	318,349	-	-	307,658	16,167	642,174
Additions	1,869	16,591	39,793	1,685,923	4,772,563	82,124	6,598,863
Transfers from construction-in-progress	28,933	215,304	186,648	1,557,272	923,425	8,054	2,919,636
Reclassification	(18,123)	(1,418,218)	1,487,907	40,314	(2,767,808)	2,675,928	-
Disposals	-	(30,080)	(40,663)	(273,997)	(4,458,770)	(1,313,257)	(6,116,767)
Asset classified as held for sale	(351,902)	(53,946)	-	(2,290,578)	(3,248,379)	-	(5,944,805)
At 31 December 2015 and 1 January 2016	727,640	4,096,743	4,906,388	10,293,959	25,282,051	2,198,708	47,505,489
Exchange re-alignment	44,359	26,799	-	166,989	395,040	18	633,205
Additions	-	54,671	4,511	38,219	1,878,184	3,442	1,979,027
Transfers from construction-in-progress	594	23,275	621,914	2,155,420	1,630,193	86,493	4,517,889
Reclassification	-	576,923	(614,147)	-	31,259	5,965	-
Disposals	-	(13,463)	(9,431)	(147,107)	(1,280,083)	(19,191)	(1,469,275)
At 31 December 2016	772,593	4,764,948	4,909,235	12,507,480	27,936,644	2,275,435	53,166,335
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2015	-	2,272,152	1,347,200	3,551,900	12,630,954	450,832	20,253,038
Exchange re-alignment	-	(7,336)	-	(63,990)	(197,306)	(4)	(268,636)
Provided for the year	-	165,971	201,005	563,340	2,599,385	212,875	3,742,576
Reclassification	-	(1,021,237)	938,604	(42,071)	(1,437,944)	1,562,648	-
Eliminated on disposals	-	(2,754)	-	(15,244)	(2,092,619)	(611,222)	(2,721,839)
Write-back for asset classified as held for sale	-	(23,183)	-	(581,828)	(1,554,017)	-	(2,159,028)
At 31 December 2015 and 1 January 2016	-	1,383,613	2,486,809	3,412,107	9,948,453	1,615,129	18,846,111
Exchange re-alignment	-	7,165	-	40,732	143,000	4	190,901
Provided for the year	-	214,271	232,972	736,519	2,168,343	87,889	3,439,994
Reclassification	-	(1,196)	(2,924)	-	(7,691)	11,811	-
Eliminated on disposals	-	(9,473)	(6,321)	(99,159)	(203,110)	(15,630)	(333,693)
At 31 December 2016	-	1,594,380	2,710,536	4,090,199	12,048,995	1,699,203	22,143,313
CARRYING VALUE							
At 31 December 2016	772,593	3,170,568	2,198,699	8,417,281	15,887,649	576,232	31,023,022
At 31 December 2015	727,640	2,713,130	2,419,579	6,881,852	15,333,598	583,579	28,659,378

24. PROPERTY, PLANT AND EQUIPMENT (continued)

The following estimated useful lives are used for the depreciation of property, plant and equipment, other than construction in progress and freehold land:

Buildings	8 to 35 years
Railway structures	15 to 25 years
Plant, machinery and equipment	2.5 to 25 years
Transportation equipment	6 to 40 years

Transportation equipment includes vessels, harbor works and crafts which are depreciated over the estimated useful lives of 18 and 40 years respectively.

The mining structures include the main and auxiliary mine shafts and underground tunnels. Depreciation is provided to write off the cost of the mining structures using the units of production method based on the estimated production volume for which the structure was designed and the contractual period of the relevant mining rights.

At 31 December 2016, property, plant and equipment with carrying amount of approximately RMB3,370,437,000 (2015: RMB2,819,351,000) have been pledged to secure bank borrowings of the Group (note 39).

At 31 December 2016, the carrying amount of property, plant and equipment held under finance leases of the Group was RMB1,236,054,000 (2015: RMB1,731,394,000).

25. GOODWILL

	2016 RMB'000	2015 RMB'000
NET CARRYING VALUE		
At 1 January	2,296,083	2,232,751
Acquisition of Donghua (note 48)	-	409,204
Exchange re-alignment	18,844	(18,954)
Impairment loss	(668,210)	(326,918)
At 31 December	1,646,717	2,296,083

25. GOODWILL (continued)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	At 31 December	
	2016 RMB'000	2015 RMB'000
Mining		
– Jining II	10,106	10,106
– Shandong Yanmei Shipping Co., Ltd	10,046	10,046
– Heze	35,645	35,645
– Shanxi Group	145,613	145,613
– Yancoal Resources	307,382	288,538
– Syntech	20,679	20,679
– Premier Coal and Wesfarmers Char	12,860	12,860
– Xintai	653,837	653,837
– Beisu and Yangcun	712,214	712,214
Coal Railway Transportation		
– Railway Assets	97,240	97,240
Electricity and heat supply		
– Hua Ju Energy	239,879	239,879
Machinery manufacturing		
– Donghua	409,204	409,204
Impairment loss	(1,007,988)	(339,778)
	1,646,717	2,296,083

Business performance is reviewed by management on a mine basis and each mine is considered to be a separate cash generating unit.

The recoverable amounts of goodwill from each of the above cash generating units have been determined on the basis of value in use calculations. Value in use has been determined using a discounted cash flow model. The recoverable amounts are based on certain key assumptions on discount rates, growth rates, selling prices, foreign currency exchange rates, mining reserves and mining resources and direct cost.

In determining the value assigned to each key assumption, management has used external sources of information and utilised the expertise of external consultants and experts within the Group to validate entity specific assumptions such as mining reserves and mining resources. Furthermore, in estimating future coal prices, the Group receives long term forecast coal price data from multiple externally verifiable sources when determining its coal price forecasts, making adjustments for specific coal quality factors. The long term forecast exchange rate is based on externally verifiable sources. Production and capital costs are based on the Group's estimate of forecasted geological conditions, stage of existing plant and equipment and future production levels. This information is obtained from internally maintained budgets, the five year business plan, life of mine models and project evaluations performed by the Group in its ordinary course of business.

25. GOODWILL (continued)

The cash flow model was based on financial budgets approved by management covering a 5-year period with an assumption of post-tax discount rate of ranged from 8.03% to 12.77% (2015: 8.19% to 12.09%). It represent an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset. Externally verifiable data received by the Group validates this assumption. The recoverable amount is also dependent on the life of mines 6 to 40 years (2015: 7 to 41 years). This is calculated based on the Group's annual coal production forecast for each mine and mining reserves and mining resources. The cash flows beyond the 5-year period are extrapolated using a zero percent growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of each of the above units to exceed the recoverable amount of each of the above units.

For the impairment testing of goodwill, cash flow projections during the budget period are based on the budgeted revenue and expected gross margins during the budget period and the raw materials price inflation during the budget period. Expected cash inflows/outflows have been determined based on past performance and management's expectations for the market development. Under the discounted future cash flows that are dependent on the following unobservable inputs: forecast sales volumes and coal prices. The forecast sales volumes are based on the internally maintained budgets, five year business plan and life of mine models. The forecast coal prices are based on external data consistent with the data used for impairment assessments. The risk-adjusted post-tax discount rate used to determine the future cash flows is 8.19%.

As at 31 December 2016, the carrying amount on goodwill of Xintai is fully impaired (2015: RMB326,918,000) and the recoverable amount of the relevant cash generating paid is RMB286,678,000 (2015: carrying amount of RMB3,232,684,000). As at 31 December 2016, the carrying amount on goodwill of Beisu and Yangcun is RMB370,922,000 (2015: RMB712,214,000) since the cash generating unit of Beisu and Yangcun has been reduced to its recoverable amount of RMB87,916,000.

26. CONSTRUCTION IN PROGRESS

	RMB'000
COST	
At 1 January 2015	14,122,774
Exchange re-alignment	(24,397)
Acquisition of Donghua (note 48)	1,640
Additions	5,777,005
Transfers of property, plant and equipment	(2,919,636)
Disposals	(794)
At 31 December 2015 and 1 January 2016	16,956,592
Exchange re-alignment	264,069
Additions	6,101,635
Transfers of property, plant and equipment	(4,517,889)
Transfers of intangible assets	(7,874,463)
At 31 December 2016	10,929,944

For the year ended December 31, 2016, the capitalised interest expense amounted to RMB296,238,000 (2015: RM98,520,000). The annual interest rates used to determine the capitalised amount in 2016 are 4.75% to 6.40% (2015: 4.75% to 6.00%).

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27. INTERESTS IN ASSOCIATES

	At 31 December	
	2016 RMB'000	2015 RMB'000
Cost of investments in associates	4,110,434	2,768,487
Share of post-acquisition profit and other comprehensive income, net of dividends	1,022,839	495,277
Carrying amount	5,133,273	3,263,764

Information of major associates is as follows:

Name of associate	Place of establishment and operation	Class of shares held	Principal activity	At 31 December	
				2016 Interest held	2015 Interest held
Huadian Zouxian Power Generation Company Limited ("Huadian Zouxian")	PRC	Registered Capital	Electricity generation business (i)	30%	30%
Yankuang Group Finance Company Limited	PRC	Registered Capital	Financial services	25%	25%
Shaanxi Future Energy Chemical Corp. Ltd ("Shaanxi Chemical")	PRC	Registered Capital	Production and sales of chemical products, oil and coal (ii)	25%	25%
Shandong Shengyang Wood Co., Ltd	PRC	Registered Capital	Artificial board, CCF processing	39.77%	39.77%
Jiemei Wall Materials Co., Limited	PRC	Registered Capital	Coal refuse baked brick	20%	20%
Newcastle Coal Infrastructure Group Pty Ltd	Australia	Registered Capital	Coal terminal	27%	27%
Shanghai CIFCO Futures Co., Limited	PRC	Registered Capital	Trading and consultation futures	33%	33%
Watagan Mining Company Pty Limited (Note 33)	Australia	Registered Capital	Coal Mining and sales	100%	N/A
Qilu Bank Co., Ltd.	PRC	Registered Capital	Financial services	8.67%	N/A
Shandong Zoucheng Jianxin Rural Bank Co., Ltd.	PRC	Registered Capital	Financial services	9%	N/A
Haichang Industry Co., Ltd. of Dongguan City	PRC	Registered Capital	Port service	20.89%	-

27. INTERESTS IN ASSOCIATES (continued)

All of the above associates have been accounted for using equity method in the consolidated financial statements. Except for Newcastle Coal Infrastructure Group Pty Ltd and Watagan Mining Company Pty Limited, all associates are held by the Company directly.

- (i) Huadian Zouxian is an important strategic partner of the Group.
- (ii) Shaanxi Chemical is an important strategic partner to develop future energy business of the Group.

During the year, the Group appointed a director to Qilu and commenced to have significant influence over the management, including participation in the financial and operating policy decisions in Qilu. Accordingly, the Group reclassified its investment in Qilu with a carrying amount at 31 December 2015 of RMB797,720,000 from available-for-sale investments to interest in an associate.

During the year, the Group reclassified its investment in Zoucheng with a carrying amount of RMB9,000,000 at 31 December 2015 from available-for-sale investment to interest in an associate.

Except for Qilu Bank Co., Ltd., all of the associates are private companies whose quoted market price is not available. The fair value of Qilu's shares at 31 December 2016 in RMB659,843,000 (2015: RMB797,720,000).

Summarized financial information in respect of the Group's material associates is set out below:

	Huadian Zouxian		Shaanxi Chemical		Qilu Bank Co., Ltd	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Current assets	470,035	463,329	1,618,980	1,518,418	119,331,621	N/A
Non-current assets	5,054,981	5,304,792	18,570,367	15,711,494	87,836,250	N/A
Current liabilities	(1,641,967)	(1,794,313)	(6,968,817)	(6,949,817)	(175,539,077)	N/A
Non-current liabilities	(400,144)	(540,144)	(5,648,631)	(3,862,724)	(20,750,179)	N/A
Revenue	3,540,219	4,546,121	3,731,541	1,469,590	5,142,813	N/A
Expenses	(2,861,596)	(3,178,421)	(2,545,767)	(814,240)	(3,166,997)	N/A
Income tax expenses	(170,044)	(343,650)	(202,730)	(92,568)	(322,020)	N/A
Profit for the year	508,579	1,024,050	983,044	562,782	1,653,796	N/A
Other comprehensive income for the year	-	-	-	28,336	-	N/A
Total comprehensive income for the year	508,579	1,024,050	983,044	591,118	1,653,796	N/A
Dividend shared by the Group and received from the associate during the year	137,801	465,873	-	-	29,545	N/A

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27. INTERESTS IN ASSOCIATES (continued)

Reconciliation of the above summarized financial information to the carrying amount of the interest in the associates in respect of Huadian Zouxian, Shaanxi Chemical and Qilu Bank Co., Ltd recognized in the consolidated financial statements:

	Huadian Zouxian		Shaanxi Chemical		Qilu Bank Co., Ltd	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Net assets of the associate's attributable to owners	3,482,905	3,433,664	7,508,900	6,417,371	10,781,727	N/A
Proportion of the Group's ownership interest	30%	30%	25%	25%	8.67%	N/A
Carrying amount of the Group's interest in the associate	1,044,871	1,030,099	1,877,225	1,604,343	934,776	N/A

Aggregate information of associates that are not individually material:

	At 31 December	
	2016 RMB'000	2015 RMB'000
The Group's share of profit and total comprehensive income	126,065	54,453
Aggregate carrying amount of the Group's interests in these associates	1,276,401	629,321

28. LONG TERM RECEIVABLE

	At 31 December	
	2016 RMB'000	2015 RMB'000
Current asset		
- Loan to a joint venture (i)	1,944,050	1,565,194
Non-current assets		
- Loan to an associate (ii)	3,887,168	-
- Others (iii)	780,669	247,339
	4,667,837	247,339
	6,611,887	1,812,533

- (i) Loan to a joint venture represented an unsecured loan interest fee to Middlemount Joint Venture of AUD346,846,000 (2015: AUD331,075,000). From 1 July 2015, the shareholders of Middlemount agreed to make the loan interest-free for 18 months.
- (ii) Loan to an associate represented an unsecured loan to Watagan Mining Company Pty Ltd of AUD775,000,000. The loan bearing interest of Bank Bill Swap Bid Rate ("BBSY") plus 7.06% per annum with a maturity date of 1 April 2025. Watagan is a subsidiary of the Company as at December 2015 which become an associate of the Company during the year. The loan advanced to Watagan which was fully eliminated previously become loan to an associate.
- (iii) Other long term receivables represented investment in preference shares of a company for AUD28,358,000 (2015: AUD15,320,000) with cumulative dividends and investment in the long term bonds of a company for AUD31,500,000 (2015: AUD31,500,000) with floating interest rate. The remaining balance represented a loan receivable amounted to RMB487,358,000.

29. DEPOSITS MADE ON INVESTMENTS

	At 31 December	
	2016 RMB'000	2015 RMB'000
Shaanxi Coal Mine Operating Company (i)	117,926	117,926
Ordos Naryn River Mining Developing Co., Ltd. (ii)	1,000	1,000
	118,926	118,926

- (i) During 2006, the Company entered into a co-operative agreement with two independent third parties to establish a company for acquiring a coal mine in Shaanxi province for operations. The Company will have to invest approximately RMB196,800,000 in order to obtain 41% equity interest. As at 31 December 2016, the Company made a deposit of RMB117,926,000 (2015: RMB117,926,000) in relation to this acquisition. As at 31 December 2016, the relevant registration procedures to establish the new company are still in progress, and the establishment has not yet been completed.
- (ii) During 2013, the Company entered into a cooperation agreement with five independent third parties to set up a company, Ordos Naryn River Mining Development Co., Ltd. The Company agreed to contribute RMB5,000,000, representing 10% of its equity interest. At 31 December 2016, the Company have contributed RMB1,000,000 (2015: RMB1,000,000). The registration procedures of this company have not yet completed.

30. INTERESTS IN JOINT VENTURES

	At 31 December	
	2016 RMB'000	2015 RMB'000
Share of net assets	65,390	57,479

Name of joint venture	Place of establishment and operation	Class of shares held	Principal activity	At December 31,			
				2016		2015	
				Voting power	Interest held	Voting power	Interest Held
Australian Coal Processing Holdings Pty Ltd	Australia	Ordinary shares	Investment Holding	50%	90%	50%	90%
Middlemount Joint Venture	Australia	Ordinary shares	Coal mining and sales	50%	49.9997%	50%	49.9997%
Sheng Di Finlay Coal Processing Technology (Tianjin) Co., Ltd	China	Ordinary shares	Consultancy services for deep preprocess technology	50%	50%	50%	50%

The joint ventures are accounted for using equity method in the consolidated financial statements. All of the joint ventures are private companies whose quoted market price is not available.

30. INTERESTS IN JOINT VENTURES (continued)

Aggregate information of joint ventures that are not individually material:

	For the year ended At 31 December	
	2016 RMB'000	2015 RMB'000
The Group's share of profit and total comprehensive income for the year	(10,366)	(170,458)
Aggregate carrying amount of the Group's interests in these joint ventures	65,390	57,479

As at 31 December 2016, the Group did not have any share of contingent liabilities or commitment of the joint ventures (2015: Nil).

31. INTERESTS IN JOINT OPERATIONS

Information on major joint operations is as follows:

Name of joint operation	Place of establishment and operation	Principal activity	At 31 December	
			2016 Interest held	2015 Interest held
Boonal joint operation	Australia	Provision of a coal haul road and train load out facilities	50%	50%
Athena joint operation	Australia	Coal exploration	51%	51%
Moolarben joint operation (Note)	Australia	Development and operation of open-cut and underground coal mines	81%	81%

The above joint operations are established and operated as unincorporated businesses and are held indirectly by the Company.

Note: The Group acquired 1% equity interest in Moolarben joint operation from another venture at a consideration of AUD19.3 million on 30 March 2015. Upon completion of the acquisition, the Group held 81% equity interest in Moolarben joint operation.

32. INVESTMENTS IN SECURITIES

The investments in securities represent available-for-sale equity investments:

	At 31 December	
	2016 RMB'000	2015 RMB'000
Equity securities listed on the SSE, at fair value	495	610
Equity securities listed on the National Equities Exchange and Quotation System ("NEEQ") at fair value	-	797,720
Investment in equity securities listed on The HKEX Limited, at fair value	1,806,566	-
Unlisted equity securities		
– Equity securities at cost	137,090	146,080
Unlisted investment portfolio, at cost	679,852	-
	2,624,003	944,410

The investment in equity securities listed on the SSE of the Company included Jiangsu Lianyungang Port Corporation Limited which is stated at the fair values as at 31 December 2016 of RMB495,000 (2015: RMB610,000).

The investment in equity securities listed on the National Equities Exchange and Quotation System ("NEEQ") included Qilu Bank which is stated at the fair value as of 31 December 2015 of RMB797,720,000. The Company's investments in Qilu Bank stated at fair value through other comprehensive income, are subject to a 5-year-lock-up-period. During the year, the Group is classified the investment in Qilu Bank to interest in associates upon appointment of representative to Qilu Bank's board of directors. The difference between the share of net assets and the carrying amount of RMB105,168,000 is included in share of profit of associates.

The investment in equity securities listed on the HKEX Limited, at fair value included China Zheshang Bank which is stated at the fair value as of 31 December 2016 of RMB1,806,566,000 (2015: nil).

The investments in equity securities listed on the SSE, NEEQ and HKEX are carried at fair value determined according to the quoted market prices in active market.

The unlisted securities and unlisted investment portfolio are stated at cost less impairment at each reporting date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

33. ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2015, Yancoal Australia established a 100% owned subsidiary, Watagan Mining Company Pty Ltd (“Watagan”). On 18 February 2016, the Group executed a Bond Subscription Agreement, together with other agreements (the “Watagan Agreements”) that, on completion, will transfer the Group’s interest in three of its 100% owned NSW coal mining operations, being the Austar, Ashton and Donaldson coal mines (the “Three Mines”), to Watagan for a purchase price of approximately AUD1.3 billion (an amount equal to the book value of the three mines at completion).

On completion, under the terms of the Watagan Agreements, it was determined that upon issuance of the bonds the Group will lose control of Watagan. These powers will be transferred to the Bondholders under the terms of the Watagan Agreements as the Bondholders will be given control of Watagan’s board of directors via appointment of the majority of directors. Due to the Watagan transaction being near completion and the transaction is considered to be highly likely at 31 December 2015, the three mines are disclosed as Assets Held for Sale at that date.

In applying the held for sale classification to the three mines as at 31 December 2015, the Group determined the fair value less costs to sell to be above the carrying value, and as a result no adjustment was recorded on classification as held for sale.

Fair value less costs to sell of the mines has been determined using a discounted cash flow model. The key assumptions to which the model is most sensitive includes coal prices, foreign exchange rates, production and capital costs, discount rate and coal reserves and resources. The Group has applied a post-tax discount rate of 11% to discount the forecast future attributable post-tax cash flows of the three underground mines reflecting the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Together with the Bond Subscription Agreement, the Watagan Agreements include a:

- (i) 10 year Management and Mine Services Agreement appointing (1) Yancoal Australia as the exclusive provider of management services (being back office support functions) to the Watagan group; and (2) a 100% owned Yancoal Australia subsidiary as the exclusive provider of all mining management services (being all work directly concerned with the management of the operations of the three mines) to the Watagan group; and
- (ii) 10 year Marketing & Logistics Representation and Logistics Agreement appointing Yancoal Australia as (1) the sole and exclusive marketing and logistics representative of the Watagan group for the promotion, marketing, sale, transportation and handling of all saleable coal produced from the three mines and the purchase of any coal for the Watagan group from third parties; and (2) the sole and exclusive provider of infrastructure services and representative of the Watagan group in relation to management of the port and rail access and rail haulage contracts in relation to the three mines.

33. ASSETS CLASSIFIED AS HELD FOR SALE (continued)

The table below shows the financial information of three mines at the date 31 December 2015:

	Carrying amounts RMB'000
Assets	
Bank balances and cash	21,747
Other current assets	450,088
Property, plant and equipment, net	3,785,777
Intangible assets	3,178,192
Other non-current assets	304,716
Total assets classified as held for sale	7,740,520
Liabilities	
Provision for land subsidence, restoration, rehabilitation and environmental costs	145,717
Other current liabilities	209,287
Deferred tax liabilities	981,923
Other non-current assets	183,904
Total liabilities associated with assets classified as held for sale	1,520,831
Net assets classified as held for sale	6,219,689

Given the Group maintains one seat on the Watagan board and has ongoing involvement under the terms of the Watagan Agreements, the Group was determined to have significant influence over Watagan. As a result, the Group equity accounts its 100% equity interest from 31 March 2016.

34. HELD-TO-MATURITY INVESTMENT

	At 31 December	
	2016 RMB'000	2015 RMB'000
Debt security (<i>Note</i>)	200,000	–
Analyzed for reporting purpose as:		
Current asset	130,573	–
Non-current asset	69,427	–
	200,000	–

Note:

As at 31 December 2016, the Group's held-to-maturity investment represents designed deposits and carries interest at 8.40% (2015: nil) per annum, the current portion will mature in July 2017 and the non-current portion will mature in January 2018.

35. BILLS AND ACCOUNTS PAYABLE

	At 31 December	
	2016 RMB'000	2015 RMB'000
Accounts payable	4,363,905	3,367,836
Bills payable	1,485,114	839,530
	5,849,019	4,207,366

The following is an aged analysis of bills and accounts payable based on the invoice dates at the reporting date:

	At 31 December	
	2016 RMB'000	2015 RMB'000
0 – 90 days	4,883,651	2,815,938
91 – 180 days	467,604	612,221
181 – 365 days	244,263	434,315
Over 1 year	253,501	344,892
	5,849,019	4,207,366

The average credit period for accounts payable and bills payable is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

36. OTHER PAYABLES AND ACCRUED EXPENSES

	At 31 December	
	2016 RMB'000	2015 RMB'000
Customers' deposits	2,685,783	1,011,104
Accrued staff costs	1,538,809	1,280,032
Other taxes payable	848,337	174,133
Payables in respect of purchases of property, plant and equipment and construction materials	1,615,715	1,695,324
Accrued freight charges	7,741	59,034
Accrued repairs and maintenance	–	75,820
Withholding tax payable	–	5,357
Deposits received	223,744	90,817
Accrued land subsidence, restoration, rehabilitation and environmental costs	9,299	22,947
Interest payable	569,808	836,132
Payable for acquisition of a subsidiary	1,905,667	2,519,313
Others	1,162,992	1,190,839
	10,567,895	8,960,852

37. PROVISION FOR LAND SUBSIDENCE, RESTORATION, REHABILITATION AND ENVIRONMENTAL COSTS

	2016 RMB'000	2015 RMB'000
Balance at 1 January	3,199,739	3,430,007
Exchange re-alignment	42,580	(38,111)
Additional provision in the year	1,095,637	1,499,492
Transfer to liabilities associated with assets held for sale (note 33)	–	(145,717)
Utilization of provision	(1,031,076)	(1,545,932)
Balance at 31 December	3,306,880	3,199,739
Presented as:		
Current portion	2,689,433	2,616,998
Non-current portion	617,447	582,741
	3,306,880	3,199,739

Provision for land subsidence, restoration, rehabilitation and environmental costs has been determined by the directors of the Company based on their best estimates. However, in so far as the effect on the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change in the near term.

38. PROVISION

	At 31 December	
	2016 RMB'000	2015 RMB'000
Current provision (i)		
– Provision of marketing service fee	6,420	–
– Take or pay provision	38,562	48,455
	44,982	48,455
Non-current provision (ii)		
– Provision of marketing service fee	10,038	15,967
– Forecasted excessive supply for port and rail contracts	154,645	191,322
– Others	32,735	8,381
	197,418	215,670
	242,400	264,125

39. BORROWINGS

	At 31 December	
	2016 RMB'000	2015 RMB'000
Current liabilities		
Bank borrowings		
– Unsecured borrowings (i)	7,620,029	8,263,113
– Secured borrowings (ii)	5,849,658	5,625,915
Loans pledged by machineries (iii)	200,000	–
Finance lease liabilities (iv)	101,453	17,522
Guaranteed notes (v)	16,970,841	9,996,667
	30,741,981	23,903,217
Non-current liabilities		
Bank borrowings		
– Unsecured borrowings (i)	2,397,847	3,469,900
– Secured borrowings (ii)	20,055,625	24,501,998
Loans pledged by machineries (iii)	1,600,000	1,800,000
Finance lease liabilities (iv)	255,567	128,183
Guaranteed notes (v)	10,526,771	15,676,507
	34,835,810	45,576,588
Total borrowings	65,577,791	69,479,805

(i) Unsecured borrowings are repayable as follows:

	At 31 December	
	2016 RMB'000	2015 RMB'000
Within one year	7,620,029	8,263,113
More than one year, but not exceeding two years	661,000	1,515,972
More than two years, but not more than five years	1,736,847	1,953,928
	10,017,876	11,733,013

At 31 December 2016, short-term borrowings of the Group amounting to RMB5,264,900,000 (2015: RMB6,099,020,000). As at 31 December 2015, four short-term borrowings of RMB4,089,020,000 (USD629,700,000) were denominated in foreign currency with interest rates at three-months LIBOR plus a margin of 1.26%-1.40% per annum, approximately 1.80%-1.94% per annum. The remaining short-term borrowings of RMB5,264,900,000 (2015: RMB2,010,000,000) carried interest at 4.13%-6.00% per annum (2015: 4.35%-6.00% per annum). No short-term borrowing denominated in foreign currency was made at 31 December 2016.

39. BORROWINGS (continued)

- (i) Unsecured borrowings are repayable as follows: (Continued)

Long-term borrowings of the Group amounting to RMB4,752,976,000 (2015: RMB4,679,434,000) with RMB2,355,129,000 (2015: RMB2,151,106,000) payable within one year. Long-term borrowings of RMB2,359,000,000 (2015: RMB1,237,400,000) carried interest at a range of 4.75%-4.80 % per annum (2015: 5.54%-6.15% per annum) while the remaining borrowings carried interest at three-months LIBOR plus a margin of 0.60% per annum (2015: three-months LIBOR plus a margin of 1.20%-2.40% per annum).

At 31 December 2015, the long-term borrowing of the Group also included foreign currency denominated loan of RMB954,559,000 (USD147,000,000), with RMB12,987,000 (USD2,000,000) payable within one year. The loan term is 36 months and carried interest at three-month LIBOR plus a margin of 2.60%, approximately 3.14% per annum. The amount was fully repaid in 2016.

- (ii) Secured borrowings are repayable as follows:

	At 31 December	
	2016 RMB'000	2015 RMB'000
Within one year	5,849,658	5,625,915
More than one year, but not exceeding two years	1,687,400	5,788,326
More than two years, but not more than five years	12,356,190	7,491,494
More than five years	6,012,035	11,222,178
Total	25,905,283	30,127,913

At 31 December 2016, secured borrowings of Yancoal Australia Limited (“Yancoal Australia”) are amounting to RMB18,022,139,000 (2015: RMB17,766,250,000). Such borrowings carried interest at three-month LIBOR plus a margin of 2.8% per annum, approximately 3.54% (2015: 3.34% to 5.68%) per annum.

As at December 2015, long term borrowings of Yancoal Australia amounting to RMB36,132,000 (USD5,584,000), with RMB33,809,000 payable within one year. It carried interest at 5.68% per annum. Such loan was pledged by bank deposit (note 17), intangible assets (note 23), and property, plant and equipment (note 24). The borrowing was fully repaid in 2016.

39. BORROWINGS (continued)

(ii) Secured borrowings are repayable as follows: (Continued)

At 31 December 2016, secured borrowings of the Company amounting to RMB5,062,200,000 (2015: RMB5,745,520,000). Of which RMB693,700,000 (USD100,000,000) (2015: RMB649,360,000 (USD100,000,000)) were denominated in foreign currency. Such borrowings denominated in foreign currency carried interest rate at six-month LIBOR plus a margin of 3.20%, approximately 3.97% per annum (2015: 3.97%). It was pledged by bank acceptances of the Group.

As at 31 December 2016, included in secured borrowing of the Company was RMB3,468,500,000 (USD500,000,000) (2016: RMB3,468,500,000 (USD500,000,000)) was denominated in foreign currency and carries interest rate at six-month LIBOR plus a margin of 2.10%, approximately 2.87% (2015: 2.87%) per annum. It is pledged by 520,000,000 shares of the Company's A shares owned by Parent Company.

At 31 December 2016, secured borrowings of Yancoal International amounting to RMB2,774,858,000 (USD400,000,000) (2015: RMB7,240,120,000 (USD1,115,000,000)). Three secured borrowings amounted carried interest rate at three-month LIBOR plus a margin of ranged 1.10% (2015: three-month LIBOR plus a margin of ranged 1.10%-3.00%), approximately 1.84% (2015: 1.64%-3.54%) per annum. The borrowings are guaranteed by the Parent Company and stand by letter of credits.

Premier Coal Limited and Premier Holdings Pty., Ltd., the subsidiaries of the Company, signed a loan agreement with an independent third party for a loan which carried interest rate of 8.7%. At 31 December 2016, the balance of the loan is RMB46,086,000 (AUD9,188,000) (2015: RMB25,383,000 (AUD5,369,000)).

(iii) Loans pledged by machineries are repayable as follows:

	At 31 December	
	2016 RMB'000	2015 RMB'000
Within one year	200,000	–
More than one year, but not exceeding two years	1,000,000	200,000
More than two years, but not more than five years	600,000	1,600,000
	1,800,000	1,800,000
Less: Amounts due within one year and included in current liabilities	(200,000)	–
Amounts due after one year and included in non-current liabilities	1,600,000	1,800,000

At 31 December 2016, a loan of RMB1,800,000,000 (31 December 2015: RMB1,800,000,000) carried interest at lending rate of 3-5 years loan published by the PBOC plus a margin of 4% per annum, approximately 8.75% per annum (31 December 2015: approximately 8.75%) and is pledged by machineries of the Group.

39. BORROWINGS (continued)

(iv) Finance lease liabilities are repayable as follows:

	At 31 December	
	2016 RMB'000	2015 RMB'000
Minimum lease payments		
Within one year	118,231	51,733
More than one year, but not exceeding two years	193,800	81,286
More than two years, but not more than five years	71,587	50,494
More than five years	–	–
	383,618	183,513
Less: Transfer to assets held for sale	–	(9,378)
Less: Future finance charges	(26,598)	(28,430)
Present value of lease payments	357,020	145,705

	At 31 December	
	2016 RMB'000	2015 RMB'000
Present value of minimum payments		
Within one year	101,453	17,522
More than one year, but not exceeding two years	158,589	79,107
More than two years, but not more than five years	96,978	49,076
More than five years	–	–
	357,020	145,705
Less: Amounts due within one year and included in current liabilities	(101,453)	(17,522)
Amounts due after one year and included in non-current liabilities	255,567	128,183

Finance lease liabilities of RMB357,023,000 (AUD71,181,000) (2015: RMB145,705,000 (AUD30,820,000)) carried interest at 5.52% per annum (2015: 5.09% per annum).

39. BORROWINGS (continued)

(v) Guaranteed notes are detailed as follows:

	At 31 December	
	2016 RMB'000	2015 RMB'000
Guaranteed notes denominated in RMB repayable within one year	14,495,741	9,996,667
Guaranteed notes denominated in USD repayable within one year	2,475,100	–
Guaranteed notes denominated in USD repayable within two to five years	–	2,922,022
Guaranteed notes denominated in RMB repayable within two to five years	1,941,225	2,934,850
Guaranteed notes denominated in USD repayable over five years	1,579,113	2,820,744
Guaranteed notes denominated in RMB repayable over five years	7,006,433	6,998,891
	27,497,612	25,673,174

The above USD guaranteed notes were issued by a subsidiary of the Company on 16 May 2012 with per value of USD1,000,000,000 in aggregate. As at December 2016, guaranteed notes with par value of USD356,797,000 (2015: USD450,000,000) and USD227,620,000 (2015: USD434,403,000) will mature in 2017 and 2022 with interest rate 4.461% and 5.730% per annum respectively. As at 31 December 2016, the USD guaranteed notes amount to RMB4,054,213,000 with par value of USD584,417,000 (2015: RMB5,742,766,000 with par value of USD884,403,000). The notes are unconditionally secured by the Company and the respective security is non-cancellable.

In 2012, with the approval from China Securities Regulatory Commission, the Company had issued RMB notes with par value of RMB300,167,000 and RMB4,699,833,000 to the public and institutional investors respectively. An unconditional and irrecoverable corporate guarantee was provided by the Parent Company on the RMB notes. At 31 December 2016, RMB notes of RMB4,976,500,000 (2015: RMB4,971,000,000) included notes of RMB3,977,467,000 (2015: RMB3,973,800,000) maturing in 2022 and interest rate of 4.95% per annum and notes of RMB999,033,000 (2015: RMB997,200,000) maturing in 2017 period of 5 years and interest rate of 4.20% per annum.

In 2014, with the approval from China Securities Regulatory Commission, the Company was allowed to issue 5-year RMB notes at RMB1,950,000,000 with interest rate of 5.92% per annum and 10-year RMB notes at RMB3,050,000,000 with interest rate of 6.15% per annum. At 31 December 2016, the 5-year RMB notes and 10-year notes amounted to RMB1,941,255,000 (2015: RMB1,937,650,000) and RMB3,028,977,000 (2015: RMB3,025,092,000) respectively.

In 2015, the Company had issued 2015 first tranche short-term notes at par value RMB5,000,000,000 with 1 year maturity and interest rate of 5.19% per annum. At 31 December 2015, such RMB short-term note amount to RMB4,998,333,000. During the year ended 31 December 2016, such RMB short-term notes were fully repaid.

39. BORROWINGS (continued)

(v) Guaranteed notes are detailed as follows: (Continued)

In 2015, with the approval from the National Association of Financial Market Institutional Investors, the Company was allowed to issue RMB super-short-term notes in PRC with an aggregate amount of RMB20,000,000,000. During 2015, the Company had issued 2015 first tranche super-short-term notes with par value of RMB2,500,000,000 and 2015 second tranche super-short-term notes with par value of RMB2,500,000,000. Both super-short-term notes had 270 days maturity and interest rate of 4.20% per annum. At 31 December 2015, such super-short-term notes amount to RMB4,998,333,000. As at 31 December 2016, such RMB notes were fully repaid.

In 2016, the Company issued 2016 Nine tranche short-term notes at par value of RMB25,500,000,000 with 3 months to 9 months maturity at an average interest rate of 3.77% per annum. In 2016, short-term notes of RMB12,000,000,000 were redeemed by the Company. At 31 December 2016, the remaining amount of short-term notes is RMB13,496,667,000.

40. DERIVATIVE FINANCIAL INSTRUMENTS

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Current liabilities		
Derivatives used for cash flow hedging		
– Forward foreign exchange contracts	3,246	4,593
Financial liabilities at fair value through profit or loss		
– Future contracts	–	849
Total current liabilities	3,246	5,442

As at 31 December 2016 and 2015, the outstanding sell USD contracts are hedging highly probable forecast sales of coal, whereas the outstanding buy AUD and USD contracts relate to the settlement of CNY term deposits. The contracts are timed to settle when the RMB term deposits mature.

During the year ended 31 December 2015, the Group entered into futures contract to sell specified amount of methanol. The objective of entering into the futures contract is to reduce the related volatility of methanol selling price and thereby assist in risk management of the Group. The outstanding futures contract are hedging highly probable methanol transaction price.

As at 31 December 2016, there was no outstanding notional amount of futures contract to sell methanol. Whilst as at 31 December 2015, the futures contract to sell methanol, the outstanding notional amount was RMB2,781,000. During the year ended 31 December 2016, no futures had been entered into by the Group.

40. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

For the year ended 31 December 2016, there is no ineffective hedging portion of the changes in fair values of the forward foreign exchange contracts (2015: RMB284,075,000) was recognized as selling, general and administrative expenses in the consolidated income statement. The effective hedging portion was recognized as current portion of derivatives financial instruments in the consolidated statement of financial position.

41. LONG-TERM PAYABLE

	At 31 December	
	2016 RMB'000	2015 RMB'000
Current liabilities		
– Deferred payment for acquisition of interests in Minerva Coal Project (“Minerva”) (i)	–	2,281
– Mining right compensation fee payable (ii)	396,285	396,285
	396,285	398,566
Non-current liabilities		
– Mining right compensation fee payable (ii)	–	396,285
– Others	–	19,077
	–	415,362
Total	396,285	813,928

- (i) The carrying value of the deferred payment for acquisition of interests in Minerva is based on cash flows discounted using a rate of 7.5%. The amount is fully settled in 2016.
- (ii) Mining right compensation fee payable is provided in accordance with the Chinese government legislation on mining right compensation fee. The amount is payable by the Company by instalment from 2015 to 2017.

42. DEFERRED TAXATION

	Available- for-sale investment RMB'000	Fair value adjustment on mining, rights (mining reserves) RMB'000	Temporary differences on income and expenses recognized RMB'000	Tax losses RMB'000	Cash flow hedge reserve RMB'000	Total RMB'000
COST						
Balance at 1 January 2015	(42,592)	(6,128,057)	782,529	2,904,174	609,141	(1,874,805)
Exchange re-alignment	-	206,844	(11,573)	(216,143)	(95,531)	(116,403)
Reclassified to liabilities associated with assets classified as held for sale (note 33)		743,179	238,742			981,921
Acquisition of Donghua	-	-	42,158	-	-	42,158
Credit to other comprehensive income	38,768	-	-	-	16,487	55,255
(Charge) credit to the consolidated income statement (note 12)	-	(1,985,391)	545,284	1,627,559	--	187,452
Balance at 31 December 2015 and 1 January 2016	(3,824)	(7,163,425)	1,597,140	4,315,590	530,097	(724,422)
(Charge) credit to the consolidated income statement (note 12)	-	1,109,179	(1,009,412)	830,186	-	929,953
Credit (charge) to other comprehensive income	2,651	-	-	-	(290,976)	(288,325)
Exchange re-alignment	-	(186,819)	201,290	287,530	108,624	410,625
Balance at 31 December 2016	(1,173)	(6,241,065)	789,018	5,433,306	347,745	327,831

The temporary differences on income and expenses recognized mainly arose from unpaid provision of salaries and wages, provisions of compensation fees for mining rights and land subsidence, restoration, rehabilitation and environmental costs and also included payments on certain expenses such as exploration costs and certain income in Australia. Certain amendments to comparatives had been made to conform with the current year's presentation.

The following is the analysis of the deferred tax balances for financial reporting purposes:

	At 31 December	
	2016 RMB'000	2015 RMB'000
Deferred tax assets	7,345,277	7,097,143
Deferred tax liabilities	(7,017,396)	(7,823,565)
	327,831	(726,422)

At the reporting date, the Group has unused tax losses of RMB23,769 million (2015: RMB23,945 million) contributed by the subsidiaries available for offset against future profits. RMB5,433 million deferred tax asset has been recognized (2015: RMB4,152 million) for such tax losses. No deferred tax asset has been recognized in respect of the RMB9,928 million (2015: RMB10,104 million) due to the unpredictability of future profit streams. Included in unrecognized tax losses are losses of RMB414 million that will expire in 2017 losses of RMB7,769 million that will expire in 2018, losses of RMB1,394 million that will expire in 2019 and losses of RMB274 million that will expire in 2020 and losses of RMB77 million that will be expired in 2021 (2015: losses of RMB667 million that will expire in 2017, losses of RMB7,769 million that will expire in 2018 and losses of RMB1,394 million that will expire in 2019 and losses of RMB274 million that will be expired in 2020). Other losses may be carried forward indefinitely.

By reference to financial budgets, management believes that there will be sufficient future profits for the realization of deferred tax assets which have been recognized in respect of tax losses.

43. SHAREHOLDERS' EQUITY

Share capital

The Company's share capital structure at the balance sheet date is as follows:

	Domestic invested shares A shares	Foreign invested shares H shares (including H shares represented by ADS)	Total
Number of shares			
At 1 January 2015 and 1 January 2016	2,960,000,000	1,958,400,000	4,918,400,000
Shares repurchased and cancelled	–	(6,384,000)	(6,384,000)
At 31 December 2016	2,960,000,000	1,952,016,000	4,912,016,000

Share capital

	Domestic invested shares A shares RMB'000	Foreign invested shares H shares (including H shares represented by ADS) RMB'000	Total RMB'000
Registered, issued and fully paid			
At 1 January 2015 and 1 January 2016	2,960,000	1,958,400	4,918,400
Shares repurchased and cancelled	–	(6,384)	(6,384)
At 31 December 2016	2,960,000	1,952,016	4,912,016

Each share has a par value of RMB1.

43. SHAREHOLDERS' EQUITY (continued)

Capital reserve

During the year ended 31 December 2015, the Company repurchased its own ordinary shares on the HKEX as follows:

Month of repurchase	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate consideration paid HK\$'000	Equivalent aggregate consideration paid RMB'000
December 2015	6,384,000	3.70	3.47	23,180	19,439

At the 2015 Annual General Meeting, the First H shareholders' Class Meeting in 2015 convened by the Company on 22 May 2015, a resolution in relation to the proposal of granting a general mandate to the board of directors of the Company to repurchase H shares was approved. As at 31 December 2015, the number of H shares repurchased was 6,384,000 in aggregate. The change of business registration in the PRC for cancellation of the repurchased H shares has completed on 30 September 2016. As at 31 December 2016, the Company's total registered capital was RMB4,912,016,000 (2015: RMB4,918,400,000).

Reserves*Future Development Fund*

Pursuant to regulation in the PRC, the Company, Shanxi Tianchi and Heze are required to transfer an annual amount to a future development fund at RMB6 per tonne of raw coal mined (Xintai and Ordos: RMB6.5 per tonne of raw coal mined). The fund can only be used for the future development of the coal mining business and is not available for distribution to shareholders.

From 2008 onwards, Shanxi Tianchi is required to transfer an additional amount at RMB5 per tonne of raw coal mined as coal mine transformation fund. Pursuant to the Shanxi Provincial Government's decision, coal mine transformation fund was suspended since 1 August 2013.

Pursuant to the regulations of the Shandong Province Finance Bureau, State-owned Assets Supervision and Administration Commission of Shandong Province and the Shandong Province Coal Mining Industrial Bureau, the Company is required to transfer an additional amount at RMB5 per tonne of raw coal mined from 1 July 2004 to the reform specific development fund for the future improvement of the mining facilities and is not distributable to shareholders. No further transfer to the reform specific development fund is required from 1 January 2008.

43. SHAREHOLDERS' EQUITY (continued)

Reserves (continued)

Future Development Fund (continued)

In accordance with the regulations of the State Administration of Work Safety, the Company has a commitment to incur RMB15 from 1 February 2012 onwards (Shanxi Tianchi: decreased from RMB50 to RMB30 from 1 October 2013 onwards, Xintai and Ordos: RMB15 from 1 February 2012 onwards) for each tonne of raw coal mined which will be used for enhancement of safety production environment and improvement of facilities ("Work Safety Cost"). In prior years, the work safety expenditures are recognized only when acquiring the assets or incurring other work safety expenditures. The Company, Heze, Shanxi Tianchi, Xintai and Ordos make appropriation to the future development fund in respect of unutilized Work Safety Cost from 2008 onwards.

In accordance with the regulations of the State Administration of Work Safety, the Company's subsidiaries, Hua Ju Energy, Shanxi Tianhao and Yulin, have a commitment to incur Work Safety Cost at the rate of: 4% of the actual sales income for the year below RMB10 million; 2% of the actual sales income for the year between RMB10 million and RMB100 million (included); 0.5% of the actual sales income for the year between RMB100 million and RMB1 billion (included); 0.2% of the actual sales income for the year above RMB1 billion.

Statutory Common Reserve Fund

The Company and its subsidiaries in the PRC have to set aside 10% of its profit for the statutory common reserve fund (except where the fund has reached 50% of its registered capital). The statutory common reserve fund can be used for the following purposes:

- to make good losses of the previous years; or
- to convert into capital, provided such conversion is approved by a resolution at a shareholders' general meeting and the balance of the statutory common reserve fund does not fall below 25% of the registered capital.

Retained earnings

In accordance with the Company's Articles of Association, the profit for the purpose of appropriation will be deemed to be the lesser of the amounts determined in accordance with (i) PRC accounting standards and regulations and (ii) IFRS or the accounting standards of the places in which its shares are listed.

The Company can also create a discretionary reserve in accordance with its Articles of Association or pursuant to resolutions which may be adopted at a meeting of shareholders.

The Company's distributable reserve as at 31 December 2016 is the retained earnings computed under IFRS which amounted to approximately RMB33,843,779,000 (2015: RMB31,884,892,000).

44. PERPETUAL CAPITAL SECURITIES

	Perpetual capital securities issued by the Company RMB'000 (note i)	Perpetual capital securities issued by a subsidiary RMB'000 (note ii)	Total RMB'000
At 1 January 2015	2,521,456	1,851,903	4,373,359
Issuance of perpetual capital security	3,964,000	-	3,964,000
Dividend to holders of perpetual capital security	346,227	140,593	486,820
Distribution paid to holders of perpetual capital security	(170,000)	(137,659)	(307,659)
At 31 December 2015 and 1 January 2016	6,661,683	1,854,837	8,516,520
Dividend to holders of perpetual capital security	424,307	67,353	491,660
Distribution paid to holders of perpetual capital security	(423,799)	(67,353)	(491,152)
Redemption of perpetual capital security	-	(1,854,837)	(1,854,837)
At 31 December 2016	6,662,191	-	6,662,191

- (i) The Company issued 6.8% perpetual capital securities with par value of RMB1,500,000,000 and RMB1,000,000,000 on 19 September 2014 and 17 November 2014 respectively. Coupon payments of 6.8% per annum on the perpetual capital securities are paid in arrears twice in a year and can be deferred at the discretion of the Group. The perpetual capital securities have no fixed maturity and are redeemable at the discretion of the Group at their principal amounts together with any accrued, unpaid or deferred coupon interest payments. In addition, while any coupon payments are unpaid or deferred, the Company undertakes not to declare, pay any dividends nor to make any distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank. Since the perpetual capital security does not include any payment of cash or other contractual obligation of financial instrument, it is categorized as equity under IFRS.

The Company issued 6.50% and 6.19% perpetual capital securities with par value of RMB2,000,000,000 and RMB2,000,000,000 on 10 April, 2015 and 30 April, 2015 respectively. Coupon payments of 6.50% and 6.19% per annum, which will be reset every 3 years, on the perpetual capital securities are paid in arrears and can be deferred at the discretion of the Group. Those perpetual capital securities have no fixed maturity and are redeemable at the discretion of the Group at their principal amounts together with any accrued, unpaid or deferred coupon interest payments. In addition, while any coupon payments are unpaid or deferred, the Company undertakes not to declare, pay any dividends nor to make any distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank. Since the perpetual capital security does not include any payment of cash or other contractual obligation of financial instrument, it is categorized as equity under IFRS.

44. PERPETUAL CAPITAL SECURITIES (continued)

- (ii) On 22 May 2014, Yancoal International Trading Co., Limited issued 7.2% Perpetual Capital Securities with par value of USD300,000,000 (“Perpetual capital securities”) which is guaranteed by the Company. Coupon payments of 7.2% per annum on the perpetual capital securities are paid semi-annually in arrears and can be deferred at the discretion of the Group. The perpetual capital securities have no fixed maturity and are redeemable at the discretion of the Group on or after 22 May 2016 at their principal amounts together with any accrued, unpaid or deferred coupon interest payments. In addition, while any coupon payments are unpaid or deferred, the Group undertakes not to declare, pay any dividends nor to make any distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank. The securities were listed and traded on the HKEX and sold to professional investors only on 23 May 2014. Since the perpetual capital security does not include any payment of cash or other contractual obligation of financial instrument, it is categorized as equity under IFRS.

On 23 May 2016, Yancoal International Trading Co., Limited redeemed all outstanding Perpetual Capital Securities. After redemption of Perpetual Capital Securities, there were no further outstanding Perpetual Capital Securities in issue. Accordingly, the securities were delisted from the HKEX.

45. SUBORDINATED CAPITAL NOTES

On 31 December 2014, Yancoal SCN Limited, a wholly owned subsidiary of Yancoal Australia issued 18,005,102 Subordinated Capital Notes (“SCN”) at USD100 each. Each SCN is convertible into 1,000 Yancoal Australia ordinary shares and is traded on ASX. The distribution rate is set at 7% per annum, with interest will be paid half a year at Yancoal Australia’s discretion.

SCN do not have any fixed maturity date and do not have to be redeemed except in a winding up of the Issuer or Yancoal Australia. Conversion occurs at a fixed price so the value of the Yancoal Australia ordinary shares issued on conversion may be more or less than the face value of the SCN converted. Note holders will be permitted to convert the SCN into Yancoal Australia ordinary shares after 40 days until the 30 year conversion period ends. The SCN will be initially convertible into Yancoal Australia ordinary shares at a conversion price of USD0.10 per share. Almost all the notes were purchased by the Company and only RMB3,102,000 of the note is issued to other third parties. The SCN do not contain any contractual obligation to pay cash or other financial assets in accordance with IFRS, they are classified as equity.

In accordance with the Terms of Issue of the Subordinated Capital Notes issued by Yancoal SCN Limited in December 2014, the next distribution payment date for the SCNs occurred on 31 January 2017, the distribution was paid at a rate of 7% per annum or USD3.50 per SCN. The total amount distributed was USD63 million.

The subordinated capital notes are perpetual, subordinated, convertible, unsecured capital notes of face value US 100 per note. The subordinated capital notes entitle holders to receive fixed rate distribution payments, payable semi-annually in arrear unless deferred. The distribution rate is set at 7% per annum, the rate is resettable to the 5 year USD mid-swap plus the initial margin per annum every 5 years. The SCN Notes are convertible at the option of the holders to Yancoal Australia Ltd ordinary shares within 30 years.

46. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings, perpetual capital securities and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company assess the annual budget prepared by the accounting and treasury department and consider and evaluate the cost of capital and the risks associated with each class of capital. The Group will balance its capital structure through the payment of dividends, issue of new shares and new debts or the repayment of existing debts.

47. FINANCIAL INSTRUMENTS

47a. Categories of financial instruments

	At 31 December	
	2016 RMB'000	2015 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	34,133,592	33,448,087
Available-for-sale financial assets	2,624,003	944,410
Held-to-maturity investments	200,000	–
Royalty receivable (financial assets at fair value through profit or loss)	997,761	968,527
Financial liabilities		
Amortized cost	80,411,336	83,672,150
Derivative financial instruments	3,246	5,442

47b. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale equity instruments, held-to-maturity investments, bills and accounts receivable, royalty receivable, other current assets such as other receivables, bank balances and cash, term deposits, restricted cash, long term receivables, derivative financial instruments, bills and accounts payable, other payables, borrowings, amounts due to Parent Company and its subsidiaries. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no significant change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

47. FINANCIAL INSTRUMENTS (continued)

47b. Financial risk management objectives and policies (continued)

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 57.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The Group maintains its cash and cash equivalents with reputable banks and its associate, Yankuang Group Finance Company Limited (see note 27). Therefore, the directors consider that the credit risk for such is minimal.

The Group generally grants the customers with long-relationship credit terms not exceeding 180 days, depending on the situations of the individual customers. For small to medium sized new customers, the Group generally requires them to pay for the products before delivery.

Most of the Group's domestic sales are sales to electric power plants, metallurgical companies, construction material producers and railway companies. The Group generally has established long-term and stable relationships with these companies. The Group also sells its coal to provincial and city fuel trading companies.

As the Group's PRC operation does not currently have direct export rights, all of its export sales must be made through National Coal Corporation, Shanxi Coal Corporation or Minmetals Trading. The qualities, prices and final customer destinations of the Group's export sales are determined by the Group, National Coal Corporation, Shanxi Coal Corporation or Minmetals Trading.

For the years ended 31 December 2016, 2015 and 2014, net sales to the Group's five largest customers accounted for approximately 17.0%, 13.1% and 14.2% respectively, of the Group's total revenue. Net sales to the Group's largest customer accounted for 8.2%, 3.3% and 3.7% of the Group's net revenue for the years ended 31 December 2016, 2015 and 2014 respectively.

47. FINANCIAL INSTRUMENTS (continued)

47b. Financial risk management objectives and policies (continued)

Credit risk (continued)

Details of the accounts receivable from the five customers with the largest receivable balances at 31 December 2016 and 2015 are as follows:

	Percentage of accounts receivable At 31 December	
	2016	2015
Five largest receivable balances	22.71%	29.43%

The management considers the strong financial background and good creditability of these customers, and there is no significant uncovered credit risk.

The table below shows the credit limit and balance of 5 major counterparties at the balance sheet date:

Counterparty	Location	31 December 2016		31 December 2015	
		Credit limit RMB'000	Carrying amount RMB'000	Credit limit RMB'000	Carrying amount RMB'000
Company A	China	Not applicable	136,893	Not applicable	273,787
Company B	China	Not applicable	-	Not applicable	244,347
Company C	China	Not applicable	-	Not applicable	89,952
Company D	China	Not applicable	-	Not applicable	59,018
Company E	China	Not applicable	-	Not applicable	57,237
Company F	China	Not applicable	420,453	Not applicable	-
Company G	China	Not applicable	57,618	Not applicable	-
Company H	China	Not applicable	48,873	Not applicable	-
Company I	China	Not applicable	47,858	Not applicable	-
		711,695		724,341	

The Group's geographical concentration of credit risk is mainly in East Asia (excluding the PRC) and Australia. As at 31 December 2016 and 2015, over 34% and 75% of the Group's total trade receivables were from Australia and from East Asia (excluding the PRC) respectively.

47. FINANCIAL INSTRUMENTS (continued)

47b. Financial risk management objectives and policies (continued)

Market risk

(i) Currency risk

The Group's sales are denominated mainly in the functional currency of the relevant group entity making the sale, whilst costs are mainly denominated in the group entity's functional currency. Accordingly, there is no significant exposure to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities in currencies other than the functional currencies of the relevant group entities at the balance sheet date are as follows:

	Liabilities		Assets	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
United States Dollar ("USD")	31,488,047	43,411,219	4,201,453	5,970,558
EUR ("EUR")	-	-	14,481	8,782
Hong Kong Dollar ("HKD")	-	-	84,829	22,408

The sales of the Group's subsidiaries in Australia are mainly export sales and some of their fixed assets are imported from overseas. Their foreign exchange hedging policy is disclosed in note 40. The Group's operations in the PRC do not adopt any foreign exchange hedging policy.

Sensitivity analysis

The Group is mainly exposed to the fluctuation against the currency of United States Dollar.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against relevant foreign currencies. 5% represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates and also assumes all other risk variables remained constant. The sensitivity analysis includes loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower.

47. FINANCIAL INSTRUMENTS (continued)

47b. Financial risk management objectives and policies (continued)

*Market risk (continued)**(i) Currency risk (continued)**Sensitivity analysis (continued)*

	USD Impact (note i)	
	2016 RMB'000	2015 RMB'000
(Decrease) increase to statement of comprehensive income		
– if RMB weakens against respective foreign currency	(150,459)	(247,656)
– if RMB strengthens against respective foreign currency	150,459	247,656

	USD Impact (note ii)	
	2016 RMB'000	2015 RMB'000
(Decrease) Increase to profit or loss		
– if AUD weakens against respective foreign currency	52,548	30,037
– if AUD strengthens against respective foreign currency	(52,548)	(30,037)
(Decrease) Increase to shareholders' equity		
– if AUD weakens against respective foreign currency	514,803	601,683
– if AUD strengthens against respective foreign currency	(514,803)	(601,683)

Notes:

- (i) This is mainly attributable to the exposure of the Group's outstanding bank deposit and loans denominated in USD.
- (ii) This is mainly attributable to the exposure of the Group's outstanding bank borrowings in foreign currency and derivative financial instruments denominated in a currency other than the functional currency of the borrower.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

47. FINANCIAL INSTRUMENTS (continued)

47b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, term deposits, restricted cash (note 17) and variable rate borrowings (note 39).

The interest rate hedging policy of the Group is disclosed in note 39.

The Group's exposures to interest rate risk on financial assets and financial liabilities are detailed in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the PBOC arising from the Group's RMB borrowings and the LIBOR arising from the Group's USD borrowings.

Sensitivity Analysis

The following table details the Group's sensitivity to a change of 100 basis points in the interest rate, assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year and all the variables were held constant. It includes the interest rate fluctuation of the abovementioned PBOC rate and LIBOR.

	2016 RMB'000	2015 RMB'000
(Decrease) Increase to profit or loss		
– if increases by 100 basis points	(43,644)	(135,032)
– if decreases by 100 basis points	43,644	135,032
Increase (Decrease) to shareholders' equity		
– if increases by 100 basis points	(43,644)	(135,032)
– if decreases by 100 basis points	43,644	135,032

(iii) Other price risk

In addition to the above risks relating to financial instruments, the Group is exposed to equity price risk through investment in listed equity securities and also to price risk in non financial instruments such as steel and metals (the Group's major raw materials). The Group currently does not have any arrangement to hedge the price risk exposure of its investment in equity securities and its purchase of raw materials. The Group's exposure to equity price risk through investment in listed equity securities and also the result of the sensitivity analysis is not significant.

47. FINANCIAL INSTRUMENTS (continued)

47b. Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average effective interest rate RMB'000	Less than 3 months RMB'000	3-6 months RMB'000	6 months to 1 year RMB'000	1-5 years RMB'000	5+ years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount at 31 December RMB'000
2016								
Non-derivative financial liabilities								
Bills and accounts payable	N/A	5,849,019	-	-	-	-	5,849,019	5,849,019
Other payables	N/A	10,567,534	-	-	-	-	10,567,534	10,567,534
Amounts due to Parent Company and its subsidiary companies	N/A	315,956	-	-	-	-	315,956	315,956
USD Guaranteed note	4.46%-5.73%	646,397	646,397	1,292,794	-	2,121,919	4,707,507	4,054,213
RMB Guaranteed note	3.50%-6.15%	13,978,530	354,657	709,314	2,180,029	9,305,445	26,527,975	23,443,339
Finance lease liabilities	5.43%-5.60%	29,558	29,558	59,115	265,387	-	383,618	357,020
Bank borrowings	00.662%-5.400%	3,367,422	3,367,422	6,734,844	16,441,437	6,012,035	35,923,160	34,224,255
Long-term payable	6.15%-6.50%	30,618	29,952	57,500	1,681,930	-	1,800,000	1,600,000
		34,785,034	4,427,986	8,853,567	20,568,783	17,439,399	86,074,769	80,411,336
Financial guarantees issued								
Maximum amount guaranteed (note)	N/A	-	-	-	-	2,213,288	2,213,288	2,071,112

Note: the amount presented is the maximum contractual presented under guarantees issued.

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47. FINANCIAL INSTRUMENTS (continued)

47b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

	Weighted average effective interest rate %	Less than 3 months RMB'000	3-6 months RMB'000	6 months to 1 year RMB'000	1-5 years RMB'000	5+ years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount at 12.31 RMB'000
2015								
Non-derivative financial liabilities								
Bills and accounts payable	NA	4,207,366	-	-	-	-	4,207,366	4,207,366
Other payables	NA	8,960,852	-	-	-	-	8,960,852	8,960,852
Amounts due to Parent Company and its subsidiary companies	NA	190,150	-	-	-	-	190,150	190,150
USD Guaranteed note	4.46%-5.73%	72,995	72,995	145,990	3,619,953	3,057,800	6,969,733	5,742,766
RMB Guaranteed note	4.20%-6.15%	15,403,265	-	240,000	4,773,654	7,996,798	28,413,717	19,930,408
Loan pledged by machineries	9.25%	30,618	30,285	60,902	2,005,855	-	2,127,660	1,800,000
Finance lease liabilities	5.43%-5.60%	1,978	1,978	3,956	154,320	-	162,232	145,705
Bank borrowings	0.662%-6.400%	343,743	343,743	687,486	16,040,209	29,024,594	46,439,775	41,860,926
Long-term payable	6.15%-6.50%	1,145	-	440,011	416,768	-	857,924	794,851
		29,251,238	449,001	1,578,345	27,010,759	40,079,192	98,368,535	83,672,150
Financial guarantees issued								
Maximum amount guaranteed (note)	NA	-	-	-	-	2,166,126	2,166,126	-
Derivative financial instruments								
Gross settlement								
Forward foreign exchange contracts								
- Outflow	NA	11,615	-	-	-	-	11,615	11,615
Future contracts								
- Outflow	NA	-	2,777	-	-	-	2,777	2,777

Note: the amount presented is the maximum contractual presented under guarantees issued.

47. FINANCIAL INSTRUMENTS (continued)

47c. Fair values

The fair value of available-for-sales investment is determined with reference to quoted market price. The fair values of the forward foreign exchange contracts are estimated based on the discounted cash flows between the contract forward rate and spot forward rate. The fair values of interest rate swap contracts are estimated based on the discounted cash flows between the contract floating rate and contract fixed rate. The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

Fair values of financial assets and financial liabilities are determined as follows:

The following table presents the carrying value of financial instruments measured at fair value across the three levels of the fair value hierarchy. The levels of fair value are defined as follows:

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	At 31 December Total RMB'000
2016				
Assets				
Available-for-sale investments				
– Investments in securities listed on the SSE	495	–	–	495
– Investments in securities listed on the HKEX	1,806,566	–	–	1,806,566
– Investment in unlisted investment portfolio	–	679,852	–	679,852
Derivative financial instruments				
– Royalty receivable	–	–	997,761	997,761
	1,807,061	679,852	997,761	3,484,674
Liabilities				
Derivative financial instruments				
– Forward foreign exchange contracts	–	3,246	–	3,246
	–	3,246	–	3,246

47. FINANCIAL INSTRUMENTS (continued)

47c. Fair values (continued)

	Level 1	Level 2	Level 3	At 31 December Total
	RMB'000	RMB'000	RMB'000	RMB'000
2015				
Assets				
Available-for-sale investments				
– Investments in securities listed on the SSE	610	–	–	610
– Investments in securities listed on the NEEQ	797,720	–	–	797,720
Derivative financial instruments				
– Royalty receivable	–	–	968,527	968,527
	798,330	–	968,527	1,766,857
Liabilities				
Derivative financial instruments				
– Future contracts	849	–	–	849
– Forward foreign exchange contracts	–	4,593	–	4,593
	849	4,593	–	5,442

In 2016 and 2015, there are no change in categories between level 1 and level 2 and no movement from or into level 3. For more information about royalty receivable, please refer to note 19.

The fair value of the royalty receivable is determined using the discounted future cash flows that are dependent on the following unobservable inputs: forecast sales volumes, coal prices and fluctuations in foreign exchange rates. The forecast sales volumes are based on the internally maintained budgets, five year business plan and life of mine models. The forecast coal prices and long term exchange rates are based on external data consistent with the data used for impairment assessments (note 23). The risk-adjusted post-tax discount rate used to determine the future cash flows is 10.5%. The estimated fair value would increase if the sales volumes and coal prices were higher and if the Australian dollar weakens against the US dollar. The Estimated fair value would also increase if the risk-adjusted discount rate was lower.

48. ACQUISITION OF DONGHUA

On 27 July 2015, the Company entered into the Equity Shares Transfer Agreement with the Parent Company to purchase Donghua 100% equity shares. On 31 July 2015, the transaction was completed and the consideration of RMB676,000,000 was fully paid to the Parent Company to acquire including, but not limited to, the building ownership, all machinery equipment, intangible assets and other fixed assets and their equity investments in Yankuang Group Tangcun Industrial Company Limited, Yankuang Group Mainland Machinery Company Limited, Yankuang Group Zoucheng Jinming Electrical Company Limited, Yanzhou Dongfang Electrical Company Limited and Yankuang Group Jintong Rubber Company Limited.

48. ACQUISITION OF DONGHUA (continued)

The principal business of Donghua is manufacturing of comprehensive coal mining and excavating equipment. The net assets and goodwill acquired were included in the equipment manufacturing segment.

The net assets acquired on the acquisition date are as follows:

	Carrying amount RMB'000	Fair value adjustments RMB'000	Fair values RMB'000
Bank balances and cash	89,646	–	89,646
Accounts receivable and other receivables	1,637,589	–	1,637,589
Prepayments	46,355	–	46,355
Inventories	392,576	4,150	396,726
Property plant and equipment, net	620,934	21,240	642,174
Construction in process	1,640	–	1,640
Intangible assets	522	13,602	14,124
Land access rights	152,537	10,937	163,474
Deferred tax assets	54,640	–	54,640
Accounts payable and other payables	(2,150,711)	–	(2,150,711)
Income tax payable	(9,471)	–	(9,471)
Bank borrowings	(443,823)	–	(443,823)
Long term payable	(163,085)	–	(163,085)
Deferred tax liabilities	–	(12,482)	(12,482)
Net asset acquired			266,796
Goodwill arising from acquisition			409,204
			676,000
Considerations:			
Cash paid on acquisition			(676,000)
Net cash outflow arising on acquisition:			
Cash paid on acquisition			(676,000)
Bank balances and cash acquired			89,646
			(586,354)

The goodwill arising from the acquisition is attributable to develop of more diversified operating activity and the profitability of the business, and operational synergies and strategic benefits expected to arise subsequent to the acquisition.

During the period from the acquisition date to 31 December 2015, Donghua has contributed a total revenue of RMB309.9 million and net profit of RMB31.8 million.

If the acquisition had occurred on 1 January 2015, the consolidated revenue and net profit of the Group for the year ended 31 December 2015 would have been increased by RMB422.7 million and RMB43.5 million respectively.

The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition has been completed on 1 January 2015 and could not serve as a basis for the forecast of future operation result.

49. ACQUISITION OF ADDITIONAL INTERESTS IN JOINT OPERATION

The Australia subsidiaries of the Group originally held 80% equity interests in Moolarben joint operation. On 30 March 2015, the Group acquired additional 1% equity interests in Moolarben joint operation from another venturer at a consideration of AUD19.9 million. Upon completion of the acquisition, the Group held 81% equity interest in Moolarben joint operation.

Under the shareholders agreement, the 81% equity interest held in Moolarben remained classified as a joint operation.

The net assets acquired on the acquisition date are as follows:

	Fair values RMB'000
Bank balances and cash	458
Accounts receivable	2,289
Inventories	1,374
Other current assets	1,831
Property plant and equipment, net	27,929
Other non-current assets	109,885
Trade and other payables	(916)
Other non-current liabilities	(2,747)
Deferred tax	(15,567)
Net asset acquired	124,536
Bargain purchase	(30,930)
Net cash outflow arising on acquisition	93,606
Considerations:	
Cash paid on acquisition	(93,606)
Bank balances and cash acquired	458
	(93,148)

50. NON-CONTROLLING INTEREST

Summarized financial information of material non-controlling interests of subsidiaries is set out below. For the details of transactions with non-controlling interests, please refer to note 51.

	Yancoal Australia At 31 December		Hao Sheng At 31 December	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Non-controlling interests percentage	22%	22%	22.25%	22.25%
Summarized financial information				
Current assets	3,492,751	11,643,631	366,638	412,510
Non-current assets	32,719,720	25,544,730	3,239,762	14,776,762
Current liabilities	(2,354,345)	(3,001,920)	(2,525,318)	(2,244,325)
Non-current liabilities	(27,467,829)	(26,205,121)	(41,522)	(3,022,421)
Net assets	6,390,297	7,981,320	1,039,560	9,922,526
Carrying amounts of non-controlling interests	(1,296,592)	(877,567)	(2,467,241)	(2,463,747)
Revenue	6,033,617	6,280,343	-	-
Loss for the year	(1,106,545)	(1,418,695)	(15,704)	(16,276)
Other comprehensive loss	(798,116)	(2,839,429)	-	-
Total comprehensive loss	(1,904,661)	(4,258,124)	(15,704)	(16,276)
Loss allocated to non-controlling interests	(419,025)	(936,787)	(3,494)	(3,621)
Cash flows (used in) generated from operating activities	(81,371)	(508,217)	98,744	(52,454)
Cash flows used in investing activities	(2,305,667)	(1,483,994)	(546,122)	(755,535)
Cash flows from financing activities	2,559,037	1,727,938	379,524	888,424
Net increase (decrease) in cash and cash equivalents	171,999	(264,273)	(67,854)	80,435
Dividends paid to non-controlling interests	-	-	-	-

The amount of above financial information is before elimination of intra-group transactions.

50. NON-CONTROLLING INTEREST (continued)

	Jinan DuanxinMingren At 31 December		Jinan DuanxinMingli At 31 December	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Non-controlling interests percentage	80%	–	80%	–
Summarized financial information				
Current assets	13,695	–	10,986	–
Non-current assets	5,000,000	–	5,000,000	–
Current liabilities	(9,601)	–	(2)	–
Non-current liabilities	–	–	–	–
Net assets	5,004,094	–	5,010,984	–
Carrying amounts of non-controlling interests	4,003,275	–	4,008,787	–
Revenue	–	–	–	–
Profit for the year	127,294	–	114,006	–
Other comprehensive income	–	–	–	–
Total comprehensive income	127,294	–	114,006	–
Income allocated to non-controlling interests	101,835	–	91,205	–
Cash flows generated from operating activities	135,895	–	114,006	–
Cash flows used in investing activities	(5,000,000)	–	(5,000,000)	–
Cash flows from financing activities	4,876,800	–	4,896,978	–
Net increase in cash and cash equivalents	12,695	–	10,984	–
Dividends paid to non-controlling interests	123,200	–	103,022	–

50. NON-CONTROLLING INTEREST (continued)

	Jining Duanxin Mingzhi At 31 December	
	2016 RMB'000	2015 RMB'000
Non-controlling interests percentage	80%	-
Summarized financial information		
Current assets	194	-
Non-current assets	1,250,000	-
Current liabilities	-	-
Non-current liabilities	-	-
Net assets	1,250,194	-
Carrying amounts of non-controlling interests	1,000,155	-
Revenue	-	-
Profit for the year	1,719	-
Other comprehensive income	-	-
Total comprehensive income	1,719	-
Income allocated to non-controlling interests	1,375	-
Cash flows generated from operating activities	1,719	-
Cash flows used in investing activities	(1,250,000)	-
Cash flows from financing activities	1,248,475	-
Net increase in cash and cash equivalents	194	-
Dividends paid to non-controlling interests	1,525	-

51. RELATED PARTY BALANCES AND TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed. In accordance with Main Board Listing Rules Chapter 14A, continuing connected transactions are disclosed below:

Balances and transactions with related parties

	At 31 December	
	2016 RMB'000	2015 RMB'000
Nature of balances (other than those already disclosed)		
Bills and accounts receivable		
– Parent Company and its subsidiaries	773,333	598,325
– Joint ventures	573,260	309,219
Prepayments and other receivables		
– Parent Company and its subsidiaries	707,108	127,568
– Joint ventures	–	3,092
– Associates	93,401	89,328
Long-term receivables		
– Parent Company and its subsidiaries	21,649	–
Bills and accounts payable		
– Parent Company and its subsidiaries	315,956	190,150
– Joint ventures	3,001	–
– Associates	2	1
Other payables and accrued expenses		
– Parent Company and its subsidiaries	1,201,935	1,344,991
– Joint ventures	15,265	–
– Associates	686	5,125

The amounts due from/to the Parent Company, joint ventures and its subsidiary companies are non-interest bearing, unsecured and repayable on demand.

51. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Balances and transactions with related parties (continued)

During the years, the Group had the following significant transactions with the Parent Company and/or its subsidiary companies:

	Year ended 31 December		
	2016 RMB'000	2015 RMB'000	2014 RMB'000
Income			
Sales of coal	1,103,442	1,092,512	2,287,541
Sales of auxiliary materials	457,955	598,236	510,432
Sales of heat and electricity	98,935	118,486	114,163
Sales of methanol	48,353	29,668	127,921
Provision of mines operating services	–	–	4,337
Equipment leasing	391	–	–
Support services	2,558	–	–
Expenditure			
Utilities and facilities	11,507	10,164	29,777
Purchases of supply materials and equipment	699,066	157,202	1,286,869
Repair and maintenance services	69,305	74,378	238,110
Social welfare and support services	2,033,254	755,004	822,793
Road transportation services	–	10,184	19,567
Construction services	291,465	709,262	600,847
Coal train convoy services	26,669	24,378	–

Expenditures for social welfare and support services (excluding medical and child care expenses) are RMB178,493,000, RMB180,952,000 and RMB177,854,000 for the years ended 31 December 2016, 2015 and 2014. These expenses will be negotiated with and paid by the Parent Company each year.

As at 31 December 2016, the Company has deposited RMB798,615,000 (2015: RMB1,024,277,000) (2014: RMB927,255,000) to the Company's associate, Yankuang Group Finance Company Limited. The interest income received during the year amounted to RMB9,630,000 (2015: RMB4,097,000) (2014: RMB3,217,000) and there was no finance cost paid during the year (2015: nil) (2014: RMB100,000).

In addition to the above, the Company participates in a retirement benefit scheme of the Parent Company in respect of retirement benefits (note 53).

Balances and transactions with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a large group of companies under the Parent Company which is controlled by the PRC government. Apart from the transactions with the Parent Company and its subsidiaries disclosed above, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

51. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Balances and transactions with other state-controlled entities in the PRC (continued)

Material transactions with other state-controlled entities are as follows:

	Year ended 31 December		
	2016 RMB'000	2015 RMB'000	2014 RMB'000
Trade sales	988,781	1,432,740	4,518,295
Trade purchases	315,582	2,440,592	1,357,757

Material transactions with other state-controlled entities are as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Amounts due to other state-controlled entities	132,703	254,425
Amounts due from other state-controlled entities	56,379	226,494

Amounts due to and from state-controlled entities are trade nature of which terms are not different from other customers (notes 18 and 35).

In addition, the Group has entered into various transactions, including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the directors of the Company are of the opinion that separate disclosure would not be meaningful.

Except as disclosed above, the directors are of the opinion that transactions with other state-controlled entities are not significant to the Group's operations and no other transaction, arrangement or contract of significance to which the Company was a party and in which a director of the Company or a connected entity of the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Balances and transactions with joint ventures

	At 31 December	
	2016 RMB'000	2015 RMB'000
Due from a joint venture (note 30)	5,626,842	1,565,194

The amount due from a joint venture is unsecured and interest is calculated at commercial rate, interest received by the Group in the current year amounting to RMB454,671,000 (2015: RMB92,193,000).

51. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Balances and transactions with joint ventures (continued)

For the year ended 31 December 2016, the trade balances between the Group and joint ventures are disclosed in notes 18 and 35.

Compensation of key management personnel

The remuneration of directors and other members of key management were as follows:

	Year ended 31 December		
	2016 RMB'000	2015 RMB'000	2014 RMB'000
Directors fee	520	520	520
Salaries, allowance and other benefits in kind	6,949	8,047	10,663
Retirement benefit scheme contributions	935	1,269	1,772
	8,404	9,836	12,955

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

52. COMMITMENTS

	At 31 December	
	2016 RMB'000	2015 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements		
Acquisition of property, plant and equipment		
– the Group	4,166,882	5,016,042
– share of joint operations	693,477	27,299
– Others	24,934	53,041
Intangible assets		
– The Group	6	–
Exploration and evaluation		
– share of joint operations	25	1,249
– Others	–	591
	4,885,324	5,098,222

Pursuant to the regulations issued by the Shandong Province Finance Bureau, the Group has to pay a deposit to the relevant government authority, which secured for the environmental protection work done. As at 31 December, 2016, the Group is committed to further make security deposit of RMB1,584 million (December 31, 2015: RMB1,584 million).

52. COMMITMENTS (continued)

On 13 June, 2016, the Company's wholly-owned subsidiary of Ordos entered into an equity transfer agreement with shareholders of Jiutai Energy Inner Mongolia Co., Ltd. ("Jiutai Energy"), whereby Ordos agreed to acquire a total of 52% of Jiutai Energy's shareholding from its existing shareholders. The total consideration is RMB 1,840,240,000. As at reporting date, the transaction has not yet been completed.

53. RETIREMENT BENEFITS

Qualifying employees of the Company are entitled to pension, medical and other welfare benefits. The Company participates in a scheme of the Parent Company and pays a monthly contribution to the Parent Company in respect of retirement benefits at an agreed contribution rate based on the monthly basic salaries and wages of the qualified employees. The Parent Company is responsible for the payment of all retirement benefits to the retired employees of the Company.

Pursuant to the Provision of Insurance Fund Administrative Services Agreement entered into by the Company and the Parent Company on 21 March 2014, the monthly contribution rate is at 20% (2015: 20%; 2014: 20%) of the total monthly basic salaries and wages of the Company's employees for the period from 1 January 2015 to 31 December 2017. Other welfare benefits will be provided by the Parent Company, which will be reimbursed by the Company.

The amount of contributions paid to the Parent Company were RMB520,270,000, RMB667,746,000 and RMB722,111,000 for the years ended 31 December 2016, 2015 and 2014 respectively.

The Company's subsidiaries are participants in a state-managed retirement scheme pursuant to which the subsidiaries pay a fixed percentage of its qualifying staff's wages as a contribution to the scheme. The subsidiaries' financial obligations under this scheme are limited to the payment of the employer's contribution. During the year, contributions paid and payable by the subsidiaries pursuant to this arrangement were insignificant to the Group. The Group's overseas subsidiaries pay fixed contribution as pensions under the laws and regulations of the relevant countries.

During the year and at the balance sheet date, there were no forfeited contributions which arose upon employees leaving the above schemes available to reduce the contributions payable in future years.

54. HOUSING SCHEME

The Parent Company is responsible for providing accommodation to its employees and the domestic employees of the Company. The Company and the Parent Company share the incidental expenses relating to the accommodation at a negotiated amount for each of the three years ended 31 December 2016, 2015 and 2014. Such expenses, amounting to RMB137,200,000 RMB137,200,000 and RMB137,200,000 for each of the three years ended 31 December 2016, 2015 and 2014 respectively, have been included as part of the social welfare and support services expenses summarized in note 51.

The Company currently makes a fixed monthly contribution for each of its qualifying employees to a housing fund which is equally matched by a contribution from the employees. The contributions are paid to the Parent Company which utilizes the funds, along with the proceeds from the sales of accommodation and, if the need arises, from loans arranged by the Parent Company, to construct new accommodation.

55. POST BALANCE SHEET EVENT

(1) Acquisition of Coal & Allied Industries Limited

On 24 January 2017, Yancoal announced it has entered into a binding agreement to acquire 100% of the shares in Coal & Allied Industries Limited (“Coal & Allied”) from wholly-owned subsidiaries of Rio Tinto Limited for USD2.35 billion in completion and deferred cash payments, plus a coal price linked royalty (the “Transaction”). The Transaction is subject to a number of closing conditions, including Rio Tinto plc and Rio Tinto Limited shareholder approval, the Company’s shareholder approval and various regulatory approvals. The Transaction is expected to complete in the third quarter of 2017.

(2) Issue of the Subordinated Capital Notes

In accordance with the terms of the Subordinated Capital Notes issued by Yancoal SCN Limited in December 2014, the next distribution payment date for the SCNs occurred on 31 January 2017. The distribution was paid at a rate of 7% per annum or USD3.50 per SCN. The total amount distributed was USD63.0 million.

56. OPERATING LEASE COMMITMENTS

	At 31 December	
	2016 RMB'000	2015 RMB'000
Within one year	188,711	164,702
More than one year, but not more than five years	368,407	180,133
	557,118	344,835

Operating leases have average remaining lease terms of 1 to 5 years. Items that are subject to operating leases include mining equipment, office space and small items of office equipment.

57. CONTINGENT LIABILITIES

(i) Guarantees

	At 31 December	
	2016 RMB'000	2015 RMB'000
(a) The Group		
Guarantees secured over deposits	–	112,673
Performance guarantees provided to daily operations	416,974	764,966
Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute	364,971	477,205
Guarantees provided in respect of land acquisition	94,552	236,380
(b) Joint operations		
Guarantees secured over deposits	–	1,333
Performance guarantees provided to external parties	304,930	–
(c) Related parties		
Guarantees secured over deposits	–	5,082
Performance guarantees provided to external parties	528,546	481,549
Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute	246,781	86,938
	1,956,754	2,166,126

- (ii) The Australian Taxation Office (“ATO”) commenced an audit of Yancoal Australia during the 2013 financial year in respect of deductions claimed in Gloucester Group’s 31 December 2012 return for up front for exploration costs.

On 13 January 2017, The ATO verbally advised YAL the audit for the year 31 December 2012 has been completed. And YAL has agreed to reverse tax deductions totalling AUD26.5m (AUD8 million tax effected at 30%) and depreciate this cost over the relevant life of mine (LOM) from 31 December 2012.

- (iii) Yancoal Australia has issued a letter of support dated 27 February 2015 to Middlemount, a joint venture confirming:

- It will not demand the repayment of any loan due from Middlemount, except to the extent that Middlemount agrees otherwise or as otherwise provided in the loan agreement; and
- It will provide financial support to Middlemount to enable it to meet its debts as and when they become due and payable, by way of new shareholder loans in proportion to its share of the net assets of Middlemount.

This letter of support will remain in force whilst the Yancoal Australia is a shareholder of Middlemount or until notice of not less than 12 months is provided or such shorter period as agreed by Middlemount.

58. INFORMATION OF THE COMPANY

The Company's balance sheet is disclosed as follows:

	At 31 December	
	2016 RMB'000	2015 RMB'000
ASSETS		
CURRENT ASSETS		
Bank balances and cash	10,860,018	15,834,552
Term deposits	2,445,000	2,975,000
Restricted cash	937,932	364,960
Bills and accounts receivable	7,150,790	4,477,773
Inventories	423,870	586,108
Loans to subsidiaries	3,782,000	4,820,000
Prepayments and other receivables	26,805,340	19,309,889
Prepaid lease payments	13,389	13,334
TOTAL CURRENT ASSETS	52,418,339	48,381,616
NON-CURRENT ASSETS		
Mining reserves	1,468,192	1,656,850
Prepaid lease payments	427,799	441,241
Property, plant and equipment	6,506,301	6,207,947
Goodwill	463,453	819,561
Investment in subsidiaries (note a)	42,333,020	32,946,738
Investments in securities	11,014,714	11,821,550
Investments in associates	4,216,168	2,768,487
Investment in joint venture	10,000	10,000
Loan to subsidiaries	3,740,000	3,782,000
Deposit made on investments	117,926	117,926
Deferred tax assets	1,395,541	1,148,031
TOTAL NON-CURRENT ASSETS	71,693,114	61,720,331
TOTAL ASSETS	124,111,453	110,101,947

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58. INFORMATION OF THE COMPANY (continued)

	At 31 December	
	2016 RMB'000	2015 RMB'000
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Derivative financial instruments	–	849
Bills and accounts payable	811,904	1,296,442
Other payables and accrued expenses	12,046,165	13,302,012
Provision for land subsidence, restoration, rehabilitation and environmental costs	2,358,428	2,415,828
Borrowings – due within one year	26,016,886	18,559,092
Long term payable – due within one year	1,395,485	396,285
Taxes payable	467,001	89,667
TOTAL CURRENT LIABILITIES	43,095,869	36,060,175
NON-CURRENT LIABILITIES		
Borrowings – due after one year	25,791,342	20,562,509
Long term payable	189,295	406,008
TOTAL NON-CURRENT LIABILITIES	25,980,637	20,968,517
TOTAL LIABILITIES	69,076,506	57,028,692
EQUITY (note b)	48,372,756	46,411,572
PERPETUAL CAPITAL SECURITIES	6,662,191	6,661,683
TOTAL EQUITY	55,034,947	53,073,255
TOTAL LIABILITIES AND EQUITY	124,111,453	110,101,947

LiXiyong
Director

Zhao Qingchun
Director

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58. INFORMATION OF THE COMPANY (continued)

(a) Details of the Company's major subsidiaries at 31 December 2016 and 2015 are as follows:

Name of subsidiary	Country of incorporation/ registration and operation	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by the Company				Proportion of voting power held		Principal activities
			2016		2015		2016	2015	
			Directly	Indirectly	Directly	Indirectly			
Shanxi Neng Hua (note 1)	PRC	RMB600,000,000	100%	-	100%	-	100%	100%	Investment holding
Shanxi Tianchi (note 1)	PRC	RMB90,000,000	-	81.31%	-	81.31%	81.31%	81.31%	Coal mining business
Shanxi Tianhao (note 1)	PRC	RMB150,000,000	-	99.89%	-	99.89%	99.89%	99.89%	Methanol and electricity power business
Beisheng Industry and Trade (note 1)	PRC	RMB2,404,000	100%	-	100%	-	100%	100%	Coal Mining and sales
Shandong Yanmei Shipping Co., Ltd. ("Yanmei Shipping") (note 1)	PRC	RMB5,500,000	92%	-	92%	-	91.17%	92%	Transportation via rivers and lakes and the sales of coal and construction materials
Inner Mongolia Haosheng Coal Mining Co., Ltd ("Haosheng") (note 1)	PRC	RMB904,900,000	77.74%	-	77.74%	-	77.74%	77.74%	Sales of coal mine machinery equipment and accessories
Zhongyan Trade Co., Ltd ("Zhongyan") (note 1)	PRC	RMB50,000,000 (2015: RMB2,100,000)	100%	-	52.38%	-	100%	52.38%	Trade and storage in free trade zone
Yanzhou Coal Mining Yulin Neng Hua Co., Ltd ("Yulin") (note 1)	PRC	RMB1,400,000,000	100%	-	100%	-	100%	100%	Methanol and electricity power business
Heze (note 1)	PRC	RMB3,000,000,000	98.33%	-	98.33%	-	98.33%	98.33%	Coal mining and sales
Ordos (note 1)	PRC	RMB8,100,000,000	100%	-	100%	-	100%	100%	Investment holding, coal mining and sales
Yize (note 1)	PRC	RMB675,000,000	-	100%	-	100%	100%	100%	Development of methanol project
Inner Mongolia Rongxin Chemicals Co., Ltd ("Rongxin") (note 1)	PRC	RMB648,360,000	-	100%	-	100%	100%	100%	Development of methanol project
Inner Mongolia Daxin Industrial Gas Co., Ltd ("Daxin Industrial") (note 1)	PRC	RMB209,992,568	-	100%	-	100%	100%	100%	Development of methanol project
Xintai (note 1)	PRC	RMB5,000,000	-	100%	-	100%	100%	100%	Coal mining and sales
Ordos Zhuanlongwan Coal Mining Company Limited ("Zhuanlongwan")	PRC	RMB5,050,000,000	-	100%	-	100%	100%	100%	Coal mining and sales, manufacturing and sales of mining equipment and machinery

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58. INFORMATION OF THE COMPANY (continued)

(a) Details of the Company's major subsidiaries at 31 December 2016 and 2015 are as follows: (continued)

Name of subsidiary	Country of incorporation/ registration and operation	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by the Company				Proportion of voting power held		Principal activities
			2016		2015		2016	2015	
			Directly	Indirectly	Directly	Indirectly			
Ordos Yingpanhao Coal Mining Company Limited ("Yingpanhao") (note 1)	PRC	RMB300,000,000	-	100%	-	100%	100%	100%	Coal mining and sales, manufacturing and sales of mining equipment and machinery
Hua Ju Energy (note 1)	PRC	RMB288,589,774	95.14%	-	95.14%	-	95.14%	95.14%	Electricity and heat supply
Rizhao (note 1)	PRC	RMB300,000,000	51%	-	51%	-	51%	51%	Coal wholesale management and others
Qingdao Yanmei Dongqi Energy Co., Ltd ("Dongqi") (note 1)	PRC	RMB50,000,000	-	100%	-	100%	100%	100%	Coal and Related Products Wholesale
Trading Centre (note 1)	PRC	RMB100,000,000	51%	-	51%	-	51%	51%	Coal Mining and sales
Shandong Zhongyin International Trade Co., Ltd. (note 1)	PRC	RMB300,000,000	100%	-	-	-	100%	-	Coal and non-ferrous metal wholesale
Zhongyin Logistics (note 1)	PRC	RMB300,000,000	-	100%	100%	-	100%	100%	Trade Broker and Agent
Zhongyin Financial (note 1)	PRC	RMB7,060,000,000 (2015: RMB2,060,000,000)	90%	9%	73%	24%	99%	97%	Financial leasing
Duanxin (note 1)	PRC	RMB3,310,000,000 (2015: RMB810,000,000)	100%	-	100%	-	100%	100%	Investment and assets management
Shandong Duanxin Supply Chain Management Co., Ltd ("Supply Chain") (note 1)	PRC	RMB200,000,000	100%	-	100%	-	100%	100%	Logistics storage and leasing
Heze Duanxin Supply Chain Management Co., Ltd ("Heze Duanxin") (note 1)	PRC	RMB10,000,000	-	100%	-	100%	100%	100%	Logistics storage and leasing
Dalateqi Duanxin Supply Chain Management Co., Ltd ("Dalateqi") (note 1)	PRC	RMB5,000,000	-	100%	-	100%	100%	100%	Logistics storage and leasing
Ejin Horo Qi Duanxin Supply Chain Management Co., Ltd. (note 1)	PRC	RMB10,000,000	-	100%	-	-	100%	-	Logistics storage and leasing
Ruifeng (note 1)	PRC	RMB200,000,000	51%	-	51%	-	51%	51%	Trading
Yancoal International (Singapore) Pte. Ltd.	Singapore	USD10,000,000	-	100%	-	-	100%	-	Trading

58. INFORMATION OF THE COMPANY (continued)

(a) Details of the Company's major subsidiaries at 31 December 2016 and 2015 are as follows: (continued)

Name of subsidiary	Country of incorporation/ registration and operation	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by the Company				Proportion of voting power held		Principal activities
			2016		2015		2016	2015	
			Directly	Indirectly	Directly	Indirectly			
Yancoal Australia (note 2)	Australia	AUD3,105,560,000	78%	-	78%	-	78%	78%	Investment holding
Austar Coal Mine Pty, Limited ("Austar")	Australia	AUD64,000,000	-	100%	-	100%	-	100%	Coal mining business in Australia
Gloucester	Australia	AUD719,720,808	-	100%	-	100%	100%	100%	Coal resource exploration development
Yancoal Australia Sales Pty Ltd	Australia	AUD100	-	100%	-	100%	100%	100%	Coal sales
Yancoal SCN Ltd	Australia	AUD5	-	100%	-	100%	100%	100%	Issue subordinated capital note
Yancoal Mining Services Ltd	Australia	AUD100	-	100%	-	100%	100%	100%	Provide management services to the underground mines
Watagan Mining Company Pty Ltd	Australia	AUD100	-	100%	-	100%	-	100%	Holding company
Yancoal Resources Ltd	Australia	AUD446,409,065	-	100%	-	100%	100%	100%	Coal mining business in Australia
Westralian Prospectors NL	Australia	AUD93,001	-	100%	-	100%	100%	100%	No business in Australia
Eucla Mining NL	Australia	AUD2	-	100%	-	100%	100%	100%	Coal mining
CIM Duralie Pty Ltd	Australia	AUD665	-	100%	-	100%	100%	100%	No business in Australia
Duralie Coal Marketing Pty Ltd	Australia	AUD2	-	100%	-	100%	100%	100%	No business in Australia
Duralie Coal Pty Ltd	Australia	AUD2	-	100%	-	100%	100%	100%	Coal mining
Gloucester (SPV) Pty Ltd	Australia	AUD2	-	100%	-	100%	100%	100%	Holding company
Gloucester (Sub Holdings 1) Pty Ltd	Australia	AUD2	-	100%	-	100%	-	100%	Holding company
Gloucester (Sub Holdings 2) Pty Ltd	Australia	AUD2	-	100%	-	100%	100%	100%	Holdings company
SASE Pty Limited	Australia	AUD9,650,564	-	90%	-	90%	90%	90%	No business in Australia, to be liquidated
Proserpina Coal Pty Ltd	Australia	AUD1	-	100%	-	100%	100%	100%	Coal mining and sales
Yarrabee Coal Company Pty Ltd	Australia	AUD92,080	-	100%	-	100%	100%	100%	Coal mining and sales

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58. INFORMATION OF THE COMPANY (continued)

(a) Details of the Company's major subsidiaries at 31 December 2016 and 2015 are as follows: (continued)

Name of subsidiary	Country of incorporation/ registration and operation	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by the Company				Proportion of voting power held		Principal activities
			2016		2015		2016	2015	
			Directly	Indirectly	Directly	Indirectly			
White Mining Limited	Australia	Ordinary shares AUD3,300,000 A Shares AUD200	-	100%	-	100%	-	100%	Investment holding and management of operations
Moolarben Coal Operations Pty Ltd	Australia	AUD2	-	100%	-	100%	100%	100%	Management of coal operations
Moolarben Coal Mines Pty Limited	Australia	AUD1	-	100%	-	100%	100%	100%	Coal business development
Felix NSW Pty Ltd	Australia	AUD2	-	100%	-	100%	100%	100%	Investment holding
Moolarben Coal Sales Pty Ltd	Australia	AUD2	-	100%	-	100%	100%	100%	Coal sales
CIM Mining Pty Ltd	Australia	AUD30,180,720	-	100%	-	100%	100%	100%	No business in Australia
Donaldson Coal Holdings Limited	Australia	AUD204,945,942	-	100%	-	100%	-	100%	Holdings company
Monash Coal Holdings Pty Ltd	Australia	AUD100	-	100%	-	100%	100%	100%	Dormant
Athena Coal Operation Pty Ltd	Australia	AUD1	-	100%	-	100%	100%	100%	Dormant
Athena Coal sales Pty Ltd	Australia	AUD1	-	100%	-	100%	100%	100%	Dormant
Paway Limited	British Virgin Islands	AUD1	-	100%	-	100%	100%	100%	Dormant
White Mining Services Pty Limited	Australia	AUD2	-	100%	-	100%	-	100%	No business in Australia, to be liquidated
Ashton Coal Operations Pty Limited	Australia	AUD5	-	100%	-	100%	-	100%	Management of operations
Ashton Coal mines Limited	Australia	AUD5	-	100%	-	100%	-	100%	Coal sales
White Mining (NSW) Pty Limited	Australia	AUD10	-	100%	-	100%	-	100%	Coal mining and sales
CIM Stratford Pty Ltd	Australia	AUD21,558,606	-	100%	-	100%	100%	100%	Dormant
CIM Services Pty Ltd	Australia	AUD8,400,002	-	100%	-	100%	100%	100%	Dormant
Donaldson Coal Pty Ltd	Australia	AUD6,688,782	-	100%	-	100%	-	100%	Coal mining and sales
Donaldson Coal Finance Pty Ltd	Australia	AUD10	-	100%	-	100%	-	100%	Investment company
Monash Coal Pty Ltd	Australia	AUD200	-	100%	-	100%	100%	100%	Coal mining and sales

58. INFORMATION OF THE COMPANY (continued)

(a) Details of the Company's major subsidiaries at 31 December 2016 and 2015 are as follows: (continued)

Name of subsidiary	Country of incorporation/ registration and operation	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by the Company				Proportion of voting power held		Principal activities
			2016		2015		2016	2015	
			Directly	Indirectly	Directly	Indirectly			
Stradford Coal Pty Ltd	Australia	AUD10	-	100%	-	100%	100%	100%	Coal mining
Stradford Coal Marketing Pty Ltd	Australia	AUD10	-	100%	-	100%	100%	100%	Coal sales
Abakk Pty Ltd	Australia	AUD6	-	100%	-	100%	-	100%	Liquidated
Newcastle Coal Company Pty Ltd	Australia	AUD2,300,999	-	100%	-	100%	-	100%	Coal mining and sales
Primecoal International Pty Ltd	Australia	AUD1	-	100%	-	100%	-	100%	No business in Australia, to be liquidated
Yancoal International (Holding) Co., Ltd	Hong Kong	USD689,313,091	100%	-	100%	-	100%	100%	Investment holding
Yancoal International Resources Development Co., Limited	Hong Kong	USD600,000	-	100%	-	100%	100%	100%	Coal resource exploration development
Yancoal International Technology Development Co., Limited	Hong Kong	USD1,000,000	-	100%	-	100%	100%	100%	Coal mining technology Development, transfer and consultation
Yancoal International Trading Co., Limited	Hong Kong	USD1,000,000	-	100%	-	100%	100%	100%	Entrepot trade
Yancoal Luxembourg Resources Holding Co., Ltd	Luxembourg	USD500,000	-	100%	-	100%	100%	100%	Investment holding
Yancoal Canada Resources Holding Co., Ltd	Canada	USD290,000,000	-	100%	-	100%	100%	100%	Potash exploration
Athena Holdings P/L	Australia	AUD24,450,405	-	100%	-	100%	100%	100%	Holding company
Premier Coal Holdings P/L	Australia	AUD321,613,108	-	100%	-	100%	100%	100%	Holding company
Tonford Holdings P/L	Australia	AUD46,407,917	-	100%	-	100%	100%	100%	Holding company
Wilpeena Holdings P/L	Australia	AUD3,457,381	-	100%	-	100%	100%	100%	Holding company
Yancoal Energy P/L	Australia	AUD202,977,694	-	100%	-	100%	100%	100%	Holding company
Yancoal International Technology Development Pty Ltd	Australia	AUD75,407,506	-	100%	-	100%	100%	100%	Holding company
Athena Coal Mine Pty Ltd	Australia	AUD2	-	100%	-	100%	100%	100%	Coal exploration
Premier Coal Limited	Australia	AUD8,779,250	-	100%	-	100%	100%	100%	Coal mining and sales

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58. INFORMATION OF THE COMPANY (continued)

(a) Details of the Company's major subsidiaries at 31 December 2016 and 2015 are as follows: (continued)

Name of subsidiary	Country of incorporation/ registration and operation	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by the Company				Proportion of voting power held		Principal activities
			2016		2015		2016	2015	
			Directly	Indirectly	Directly	Indirectly			
Tonford Pty Ltd	Australia	AUD2	-	100%	-	100%	100%	100%	Coal exploration
Syntech Holdings Pty Ltd	Australia	AUD223,470,552	-	100%	-	100%	100%	100%	Investment holding and management of coal operation
Syntech Holdings II Pty Ltd	Australia	AUD6,318,490	-	100%	-	100%	100%	100%	Investment holding
UCC Energy Pty Limited	Australia	AUD2	-	100%	-	100%	100%	100%	Ultra clean coal technology
Premier Char Pty Ltd	Australia	AUD1,000,000	-	100%	-	100%	100%	100%	Charcoal Product Development
Yancoal Technology Development Pty Ltd	Australia	AUD2	-	100%	-	100%	100%	100%	LTCC technology development and equipment rental
AMH (Chinchilla Coal) Pty Ltd	Australia	AUD2	-	100%	-	100%	100%	100%	Coal exploration
Syntech Resources Pty Ltd	Australia	AUD1,251,431	-	100%	-	100%	100%	100%	Coal mining and sales
Mountfield Properties Pty Ltd	Australia	AUD100	-	100%	-	100%	100%	100%	Investment holding
Yankuang Ozstar Pty Ltd	Australia		-	100%	-	-	100%	-	Investment holding
Ozstar Australia Pty Ltd	Australia		-	100%	-	-	100%	-	Investment holding
Yankuang Ozstar (Ningbo) Trading Co., Ltd (note 1)	PRC		-	100%	-	-	100%	-	Investment holding
Yancoal International (Sydney) Pty Ltd	Sydney		-	100%	-	-	100%	-	Investment holding
Yancoal CSR Pty Ltd			-	100%	-	-	100%	-	Investment holding
Donghua (note 1)	PRC	RMB1,277,888,000 (2015: RMB370,567,964)	100%	-	100%	-	100%	100%	Manufacturing of coal mining and excavating equipment
Yankuang Group Tangcun Industrial Co., Ltd ("Tangcun") (note 1)	PRC	RMB51,000,000	-	100%	-	100%	100%	100%	Manufacturing and repair of machinery and cable
Shandong Yankuang Group Changlong Cable Manufacturing Co., Ltd ("Changlong") (note 1)	PRC	RMB20,000,000	-	95%	-	95%	95%	95%	Manufacturing and sale of cable, rubber products

58. INFORMATION OF THE COMPANY (continued)

(a) Details of the Company's major subsidiaries at 31 December 2016 and 2015 are as follows: (continued)

Name of subsidiary	Country of incorporation/ registration and operation	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by the Company				Proportion of voting power held		Principal activities
			2016		2015		2016	2015	
			Directly	Indirectly	Directly	Indirectly			
Zhoucheng Chengyan Material Inspection and Testing Co., Ltd ("Chengyan") (note 1)	PRC	RMB300,000	-	100%	-	100%	100%	100%	Mining products supporting materials testing
Yankuang Group Mainland Machinery Co. Ltd ("Mainland Machinery") (note 1)	PRC	RMB50,000,000	-	79.69%	-	79.69%	79.69%	79.69%	Manufacturing of special coal mining equipment
Yankuang Group Yanzhou Sanfanggang Structural Engineering ("Sanfanggang") (note 1)	PRC	RMB8,000,000	-	62.50%	-	62.50%	62.50%	62.50%	Production and processing of steel engineering components
Yankuang Group Zoucheng Jinming Electrical Company Limited ("Jinming") (note 1)	PRC	RMB50,000,000	-	100%	-	100%	100%	100%	Manufacturing, installation and repairment of electrical equipments
Yankuang Group Zoucheng Dehailan Rubber Product Co., Ltd ("Dehailan") (note 1)	PRC	RMB860,000	-	41.86%	-	53.49%	41.86%	53.49%	Processing and sale of composite pipe and plastic profile products
Yanzhou Dongfang Electrical Co., Ltd ("Dongfang") (note 1)	PRC	RMB50,000,000	-	94.34%	-	94.34%	94.34%	94.34%	Manufacturing and installation of mining equipments
Yankuang Group Jintong Rubber Co., Ltd ("Jintong") (note 1)	PRC	RMB6,600,000	-	54.55%	-	54.55%	54.55%	54.55%	Manufacturing and sale of rubber products
Jinan DuanxinMingren Financial Consulting Partnership (LP)(note 1)	PRC	RMB5,000,000,000	-	20%	-	-	100%	-	Financial advisory; Asset management consultancy service; Business advisory; Business service; Market information consultation and investigation
Jinan DuanxinMingli Financial Consulting Partnership (LP) (note 1)	PRC	RMB5,000,000,000	-	20%	-	-	100%	-	Management consulting service, Asset management consultancy service; Business advisory; Business service; Market information consultation and investigation

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58. INFORMATION OF THE COMPANY (continued)

(a) Details of the Company's major subsidiaries at 31 December 2016 and 2015 are as follows: (continued)

Name of subsidiary	Country of incorporation/ registration and operation	Issued and fully paid capital/ registered capital	Proportion of registered capital/issued share capital held by the Company				Proportion of voting power held		Principal activities
			2016		2015		2016	2015	
			Directly	Indirectly	Directly	Indirectly			
Jining Duanxin Mingzhi Financial Consulting Partnership (LP) (note 1)	PRC	RMB1,250,000,000	-	20%	-	-	100%	- Investment holding	
Qingdao Duanxin Asset Management Company Limited	PRC	RMB500,000,000	100%	-	-	-	100%	- Equity investment fund management, Management of corporate asset, Foreign investment funds, Import and export service, International Trading, Export	
Shandong Yancoal Property Service Company Limited (note 1)	PRC	RMB12,000,000	-	100%	-	-	100%	- Property management, Garden greening engineering, Sewage treatment and rental housing agency service	
Duanxin Investment Holding (Shenzhen) Company Limited (note 1)	PRC	RMB1,100,000,000	-	100%	-	-	100%	- Equity investment, the entrusted assets and investment management, corporate management and investment advisory	
Zhongyin Finance Lease Company Limited	PRC	RMB5,790,800,000	-	100%	-	-	100%	- Investment Holding	

Unless otherwise specified, the capital of the above subsidiaries are registered capital (those established in the PRC) or ordinary shares (those established in other countries).

Note 1: The companies are established in the PRC as limited liability companies.

Note 2: The investment cost of RMB3,781,606,000 in respect of investment in Yancoal Australia was included in investment in subsidiaries. As at 31 December 2016, the market value of these shares was approximately RMB2,443,627,000 (AUD487,196,000) (2015: RMB366,620,000 (AUD124,078,000)).

58. INFORMATION OF THE COMPANY (continued)

(b) The Company's equity is as follows:

	Share capital	Capital Reserve	Share premium	Future development fund reserve	Statutory common fund	Investment revaluation reserve	Retained earnings	Perpetual capital securities (note 41a)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2015	4,918,400	-	2,981,002	1,360,630	5,855,024	127,775	30,419,601	2,521,456	48,183,888
Profit for the year	-	-	-	-	-	-	983,251	346,227	1,329,478
Other comprehensive income									
- Fair value changes of available-for-sale investment	-	-	-	-	-	(116,304)	-	-	(116,304)
Total comprehensive income for the year	-	-	-	-	-	(116,304)	983,251	346,227	1,213,174
Transactions with owners:									
- Issuance of perpetual capital security	-	-	-	-	-	-	-	3,964,000	3,964,000
- Distribution paid to holders of perpetual capital securities	-	-	-	-	-	-	-	(170,000)	(170,000)
- Appropriations to and utilisation of reserves	-	-	-	(580,408)	-	-	580,408	-	-
- Share repurchased and not yet cancelled (Note 43)	-	(19,439)	-	-	-	-	-	-	(19,439)
Dividends	-	-	-	-	-	-	(98,368)	-	(98,368)
Total transactions with owners	-	(19,439)	-	(580,408)	-	-	482,040	3,794,000	3,676,193
Balance at 31 December 2015	4,918,400	(19,439)	2,981,002	780,222	5,855,024	11,471	31,884,892	6,661,683	53,073,255
Balance at 1 January 2016	4,918,400	(19,439)	2,981,002	780,222	5,855,024	11,471	31,884,892	6,661,683	53,073,255
Profit for the year	-	-	-	-	-	-	2,021,674	424,307	2,445,981
Other comprehensive income									
- Fair value changes of available-for-sale investment	-	-	-	-	-	(11,166)	-	-	(11,166)
Total comprehensive income for the year	-	-	-	-	-	(11,166)	2,021,674	424,307	2,434,815
Transactions with owners:									
- Distribution paid to holders of perpetual capital securities	-	-	-	-	-	-	-	(423,799)	(423,799)
- Share repurchased (Note 41)	(6,384)	19,439	(13,055)	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	(49,324)	-	(49,324)
Total transactions with owners	(6,384)	19,439	(13,055)	-	-	-	(49,324)	(423,799)	(473,123)
Balance at 31 December 2016	4,912,016	-	2,967,947	780,222	5,855,024	305	33,857,242	6,662,191	55,034,947

SUPPLEMENTAL INFORMATION

I. SUMMARY OF DIFFERENCES BETWEEN CONSOLIDATED FINANCIAL STATEMENTS PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) AND THOSE UNDER THE PRC ACCOUNTING RULES AND REGULATIONS (“PRC GAAP”)

The Group has also prepared a set of consolidated financial statements in accordance with relevant accounting principles and regulations applicable to PRC enterprises.

The consolidated financial statements prepared under IFRS and those prepared under PRC GAAP have the following major differences:

(1) Future development fund and work safety cost

- (1a) Appropriation of future development fund is charged to income before income taxes under PRC GAAP. Depreciation is not provided for plant and equipment acquired by utilizing the future development fund under PRC GAAP but charged to expenses when acquired.
- (1b) Appropriation of the work safety cost is charged to income before taxes under PRC GAAP. Depreciation is not provided for plant and equipment acquired by utilizing the provision of work safety cost under PRC GAAP but charged to expenses when acquired.

(2) Consolidation using acquisition method under IFRS and using common control method under PRC GAAP

- (2a) Under IFRS, the acquisitions of Jining II, Railway Assets, Heze, Shanxi Group, Hua Ju Energy, Beisu and Yangcun and Donghua have been accounted for using the acquisition method which accounts for their assets and liabilities at their fair value at the date of acquisition. Any excess of the purchase consideration over the fair value of the net assets acquired is capitalized as goodwill.

Under PRC GAAP, as the entities above are under the common control of the Parent Company, their assets and liabilities of are required to be included in the consolidated balance sheet of the Group at historical cost. The difference between the historical cost of their assets and liabilities acquired and the purchase price paid is recorded as an adjustment to shareholders' equity.

(3) Deferred taxation due to differences between the financial statements prepared under IFRS and PRC GAAP.

(4) Reversal of impairment loss on intangible assets in Yancoal Australia

- (4a) Under IFRS, the reversal of impairment loss on mining reserves was classified as other income in income statement.

Under PRC GAAP, no reversal of impairment loss on mining reserves was recognized.

SUPPLEMENTAL INFORMATION (continued)

I. SUMMARY OF DIFFERENCES BETWEEN CONSOLIDATED FINANCIAL STATEMENTS PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) AND THOSE UNDER THE PRC ACCOUNTING RULES AND REGULATIONS (“PRC GAAP”) (continued)

(5) *Classification of perpetual capital security due to differences between the financial statements prepared under IFRS and PRC GAAP.*

(5a) Under IFRS, the perpetual capital security issued by the company was classified as equity instrument and separated from net assets attributable to equity holders of the Company.

Under PRC GAAP, the perpetual capital security issued by the Company was classified as owners’ equity.

The following tables summarizes the differences between consolidated financial statements prepared under IFRS and those under PRC GAAP:

	Net income attributable to the equity holders of the Company for the year ended 31 December			Net assets attributable to the equity holders of the Company as at 31 December	
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2016 RMB'000	2015 RMB'000
As per consolidated financial statements prepared under IFRS	1,649,391	164,459	766,158	37,138,676	35,369,901
Impact of IFRS adjustments in respect of:					
– future development fund charged to income before income taxes	(82,041)	740,375	1,727,915	–	–
– reversal of provision of work safety cost	156,610	99,164	759,772	(268,257)	(424,867)
– fair value adjustment and amortization	10,000	10,000	9,981	(260,052)	(270,052)
– goodwill arising from acquisition of Jining II, Railway Assets, Heze, Shanxi Group, Hua Ju Energy, Beisu and Yangcun	341,292	–	–	(899,403)	(1,240,695)
– Acquisition of Donghua	2,042	12,748	(83,898)	(426,801)	(428,843)
– deferred tax	(25,486)	(176,789)	(394,991)	(119,139)	(93,653)
– perpetual capital security	–	–	–	6,662,191	6,661,683
– reversal of impairment loss on intangible assets in Yancoal Australia	12,777	12,777	(731,332)	(450,527)	(463,304)
– others	–	(3,220)	110,207	646,370	697,509
As per consolidated financial statements prepared under PRC GAAP	2,064,585	859,514	2,163,812	42,023,058	39,807,679

Documents Available for Inspection

Documents available for inspection	The financial statements sealed and signed by the persons in charge of the Company, the accounting work and the accounting department, respectively.
Documents available for inspection	The original copy of the auditor's report sealed by the accounting firm, and sealed and signed by the certified public accountants.
Documents available for inspection	The original copies of all documents and announcements published during the reporting period in websites designated by the CSRC.
Documents available for inspection	The annual report released in other securities markets.

Li Xiyong
Chairman

Approved by the Board for the submission on 31 March 2017

DATA of coal mines of Yanzhou Coal in the PRC (1)

	Nantun	Xinglong zhuang	Baodian	Dongtan	Jining II	Jining III	Total
Background Data:							
Commencement of construction	1966	1975	1977	1979	1989	1993	N/A
Commencement of commercial production	1973	1981	1986	1989	1997	2000	N/A
Coalfield area (square kilometers)	35.2	56.23	37.0	60.0	87.1	105.1	380.63
Location	Jining City, Shandong Province						N/A
Reserves Data:							
(million tonnes as of 31 December 2016)							
Available reserves ⁽¹⁾	223.49	501.05	357.91	586.78	786.41	781.51	3237.15
Total proven and probable reserves ⁽²⁾	96.43	273.32	242.48	405.73	383.52	185.06	1586.54
Mining recovery rate (%) ⁽³⁾	80.36	81.36	78.71	81.73	81.59	80.90	N/A
Type of coal	Thermal coal	Thermal coal	Thermal coal	Thermal coal	Thermal coal	Thermal coal	N/A
Production Data (million tonnes)							
Approved raw coal production capacity	3.0	6.5	6.0	7.5	4.2	6.5	33.7
Designed washing capacity	1.8	3.0	3.0	4.0	3.0	5.0	19.8
Raw coal production							
1997-2007	45.7	70.1	61.6	78.1	42.7	49.6	347.8
2008	3.5	6.6	6.0	7.0	3.9	6.1	33.1
2009	3.8	6.6	5.7	7.5	3.6	6.2	33.4
2010	3.6	6.8	6.1	7.4	4.2	6.2	34.3
2011	3.3	6.8	6.1	7.3	4.4	6.1	34.0
2012	3.2	7.0	6.1	7.6	3.7	5.5	33.1
2013	3.0	6.9	6.2	8.1	3.1	6.5	33.8
2014	2.7	6.8	5.8	8.0	4.2	5.3	32.8
2015	2.8	7.1	6.2	8.1	4.3	6.0	34.5
2016	2.7	6.5	6.3	8.0	3.7	5.7	32.9
Cumulative raw coal production by 31 December 2016	74.3	131.2	116.1	147.1	77.8	103.2	649.7

Note:

- (1) Based on the standards in the Solid Mineral Resource/Reserve Classification of the PRC (GB/T17766-1999), “available reserves” are the sum of basic reserves and resources. “Basic reserves” generally refer to measured and indicated economical reserves prior to deduction of design and extraction losses. “Resources” refer to the sum of a part of identified mineral resources and undiscovered resources.
- (2) The proven and probable reserves of the above coal mines are based on the report dated 6 February 1998 prepared by International Mining Consultants Limited, a UK-based company, in accordance with the standards in US Securities Act Industry Guide 7.

Under Industry Guide 7, “proven reserves” are reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes, grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced very closely and the geologic features have been clearly identified enabling the accurate ascertainment as to the size, shape, depth and mineral deposits of the reserve. “Probable reserves” are reserves that are computed from information similar to that used for proven reserves, but the sites for inspection, sampling, and measurement are further apart or are otherwise less adequately spaced. Although the degree of certainty of “probable reserves” is lower than that for proven reserves, it is high enough to assume continuity between points of observation. The total proven and probable reserves as of the end of a year are derived by deducting the proven and probable reserves consumed in the coal production in the same year from the proven and probable reserves as of the end of the immediately preceding year. The difference between proven reserves and/or probable reserves is hard to determine or define.

- (3) The mining recovery rate is the rate of the amount of coal recovered from a determined amount of proven and probable reserves, which is calculated by dividing the actual volume of coal recovered in a year by the volume of proven and probable reserves mined and consumed in the same year.

DATA of coal mines of Yanzhou Coal in the PRC (2)

	Tianchi	Zhaolou	Total
Background Data:			
Commencement of construction ⁽¹⁾	2004	2004	N/A
Commencement of commercial production ⁽¹⁾	2006	2009	N/A
Coalfield area (square kilometers)	18.7	143.36	162.06
Location	Heshun County, Shanxi Province	Heze City, Shandong Province	N/A
Reserve Data:			
(million tonnes as of 31 December 2016)			
Available reserves ⁽²⁾	110.05	405.95	516.00
Recoverable reserves ⁽³⁾	21.38	92.05	113.43
Mining recovery rate ⁽⁴⁾ (%)	75.0	83.3	N/A
Type of coal	Thermal coal	1/3 coking coal	N/A
Production Data: (million tonnes)			
Approved raw coal production capacity	1.2	3.9	5.1
Designed washing capacity	—	3.0	3.0
Raw coal production			
2006-2007	1.3	—	1.3
2008	1.1	—	1.1
2009	1.0	0.04	1.04
2010	1.5	1.6	3.1
2011	1.2	3.0	4.2
2012	1.4	2.7	4.1
2013	1.5	2.9	4.4
2014	1.6	3.0	4.6
2015	0.7	3.2	3.9
2016	1.6	3.2	4.8
Cumulative raw coal production as of 31 December 2016	12.9	19.64	32.54

Note:

- (1) With respect to the Tianchi Coal Mine, the “commencement of construction” refers to capacity expansion and technology upgrade undertaken before the Company acquired it in 2006; the “commencement of commercial production” refers to the resumption of production after completion of the foregoing expansion and upgrade.
- (2) Based on the standards in the Solid Mineral Resource/Reserve Classification of the PRC (GB/T17766-1999), “available reserves” are the sum of basic reserves and resources. “Basic reserves” generally refer to measured and indicated economical reserves prior to deduction of design and extraction losses. “Resources” refer to the sum of a part of identified mineral resources and undiscovered resources.
- (3) The recoverable reserves of the above coal mines are based on the report prepared by Minarco Asia Pacific Pty Limited in May 2006 in accordance with the standards in the JORC Code as revised in 2004. “Recoverable reserves” generally refer to proved and probable reserves under the JORC Code as revised in 2004. “Proved reserves” are the economically mineable part of a measured coal resource and “probable reserves” are the economically mineable part of an indicated, and in some circumstances, measured coal resource. Both “proved reserves” and “probable reserves” incorporate mining dilution and allow for mining losses and are based on an appropriate level of mine planning, mine design and scheduling.
- (4) The mining recovery rate is the rate of the amount of coal recovered from a determined amount of proven and probable reserves in the mining area, which is calculated by dividing the actual volume of coal recovered in a year by the volume of proven and probable reserves mined and consumed in the same year.

DATA of coal mines of Yanzhou Coal in the PRC (3)

	Beisu	Yangcun	Anyuan	Wenyu	Zhuan longwan	Total
Background Data:						
Commencement of construction	1972	1981	—	1996	2012	N/A
Commencement of commercial production	1976	1988	2004	1997	2016	N/A
Coalfield area (square kilometers)	29.3	27.46	9.26	9.36	43.46	118.84
Location	Jining City, Shandong Province	Jining City, Shandong Province	Ordos, Inner Mongolia	Ordos, Inner Mongolia	Ordos, Inner Mongolia	N/A
Reserves Data:						
(million tonnes as of 31 December 2016)						
Available reserves ⁽¹⁾	—	85.90	24.29	42.98	535.83	689.00
Mining recovery ratio ⁽²⁾ (%)	—	81.06	85.36	85.48	80.75	N/A
Type of coal	Thermal coal	Thermal coal	Thermal coal	Thermal coal	Thermal coal	N/A
Production Data: (million tonnes)						
Approved raw coal production capacity	1.0	1.15	1.2	3.0	5.0	6.35
Designed washing capacity	—	—	—	—	—	—
Raw coal production						
2011	—	—	2.3	2.1	—	4.4
2012	1.0	1.1	2.3	4.6	—	9.0
2013	1.0	1.1	2.2	4.1	—	8.4
2014	0.8	1.0	1.8	4.1	—	7.7
2015	0.7	1.6	1.6	1.0	—	4.9
2016	0.4	1.4	1.6	—	3.2	6.6
Cumulative raw coal production as of December 31, 2016	3.9	6.2	11.8	15.9	3.2	41.0

Note:

- (1) Based on the standards in the Solid Mineral Resource/Reserve Classification of the PRC (GB/T17766-1999), “available reserves” are the sum of basic reserves and resources. “Basic reserves” generally refer to measured and indicated economical reserves prior to deduction of design and extraction losses. “Resources” refer to the sum of a part of identified mineral resources and undiscovered resources.
- (2) The mining recovery rate is the rate of the amount of coal recovered from a determined amount of proven and probable reserves in the mining area, which is calculated by dividing the actual volume of coal recovered in a year by the volume of proven and probable reserves mined and consumed in the same year.
- (3) Responding to the supply-side structural reform actively, the Company fully utilized the relevant policy of cutting overcapacity in coal industry and took initiative to apply for the shutdown of Beisu Coal Mine and has been approved by the relevant government authority. Beisu Coal Mine has been closed and ceased the production since 10 October 2016.

DATA of coal mines of Yancoal Australia

	Yarrabee	Moolarben	Gloucester Mines	Middle mount ⁽³⁾	Total
Background Data:					
Commencement of construction	1981	2009	1998	2009	N/A
Commencement of commercial production	1982	2010	1999	2011	N/A
Coalfield area (square kilometers) ⁽¹⁾	220.3	120.3	164	28	814.3
Location	Queensland	New South Wales	New South Wales	Queens- land	N/A
Reserves Data:					
(million tonnes as of 31 December 2016)					
Recoverable reserves ⁽²⁾	41	278	45	73	437
Type of coal	PCI coal	Thermal coal	Semi-hard coking coal	Coking Coal, PCI coal	N/A
Production Data: (million tonnes)					
Approved raw coal production capacity	4.0	21.0	5.6	5.4	36.0
Designed washing capacity	2.5	13.0	4.3	5.4	25.2
Raw coal production					
2010	2.3	3.9	—	—	6.2
2011	3.1	5.6	—	—	8.7
2012	3.2	7.2	1.8	—	12.2
2013	3.7	6.7	3.5	—	13.9
2014	3.9	6.6	2.5	—	13.0
2015	3.3	7.3	1.9	—	12.5
2016	3.6	9.9	1.2	—	14.7
Cumulative raw coal production as of 31 December 2016	23.1	47.2	10.9	—	81.2

Note:

- (1) The coalfield area refers to the area of the total coverage of mining rights of each mine, including the area on which the Company owns prospecting rights and development rights.
- (2) The recoverable reserves of the above coal mines are based on the report prepared by the competent persons appointed by Yancoal Australia and such reserves refer to total proved and probable reserves that were identified in accordance with the standards in the JORC Code (2012).

The reasons for the differences between the reserves data above and the data in historical annual disclosures are mainly due to the change from JORC Code(2004) to JORC Code(2012) except for the regular factors affecting the production process.

- (3) Middlemount Mine is a joint venture operated by Yancoal Australia and the third party, which is not consolidated in the financial statements of the Group.
- (4) The total production volume of raw coal amounting to 1.05 million tonnes of Ashton Coal Mine, Austar Coal Mine and Donaldson Mine were not recognized in the production volume of Yancoal Australia from 1 April 2016 anymore due to the implementation of asset securitization.

DATA of coal mines of Yancoal International

	Cameby Downs	Premier	Total
Background Data:			
Commencement of construction	2009	1996	N/A
Commencement of commercial production	2010	1996	N/A
Coalfield area (square kilometers) ⁽¹⁾	300.3	138.8	439.1
Location	Queensland	Western Australia	N/A
Reserves Data:			
(million tonnes as of 31 December 2016)			
Recoverable reserves ⁽²⁾	205.0	61.0	266.0
Type of coal	Thermal coal	Thermal coal	N/A
Production Data (million tonnes):			
Approved raw coal production capacity	2.8	5.0	7.8
Designed washing capacity	2.3	N/A	2.3
Raw coal production			
2011	0.8	N/A	0.8
2012	1.9	4.2	6.1
2013	2.0	4.2	6.2
2014	2.0	3.7	5.7
2015	2.3	4.8	7.1
2016	2.4	4.2	6.6
Cumulative raw coal production as of 31 December 2016	11.4	21.1	32.5

Notes:

- (1) The coalfield area of operating mine refers to the total coverage of mining rights of each mine, including the area on which the Company owns prospecting rights and development rights.
- (2) The recoverable reserves of the above coal mines are based on the report prepared by the competent persons appointed by Yancoal International and such reserves refer to total proved and probable reserves that were identified in accordance with the standards in the JORC Code (2012).

The reasons for the differences between the reserves data above and the data in historical annual disclosures are mainly due to the change from JORC Code(2004) to JORC Code(2012) except for the regular factors affecting the production process.