年度報告

Annual Report 2016

中国中煤能源股份有限公司
CHINA COAL ENERGY COMPANY LIMITED

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

Stock Code : 01898

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Note: In this report, unless otherwise indicated, all financial indicators are presented in RMB.

Chairman's Statement

Dear Shareholders,

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

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

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

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

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

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

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

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

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

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

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

Chairman's Statement

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

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

Chairman's Statement

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

Li Yanjiang
Chairman

Beijing, the PRC
22 March 2017

Management Discussion and Analysis of Financial Conditions and Operating Results

The following discussion and analysis should be read in conjunction with the Group's audited financial statements and the notes thereto. The Group's financial statements have been prepared in accordance with the IFRS.

I. OVERVIEW

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

Unit: RMB100 million

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

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

Unit: RMB100 million

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

Management Discussion and Analysis of Financial Conditions and Operating Results

II. OPERATING RESULTS

(1) Combined Operating Results

1. Revenue

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

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

Unit: RMB100 million

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

Management Discussion and Analysis of Financial Conditions and Operating Results

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

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

2. *Cost of sales*

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

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

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

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

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

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

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

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

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

3. *Gross profit and gross profit margin*

For the year ended 31 December 2016, gross profit of the Group increased from RMB4.104 billion for the year ended 31 December 2015 to RMB9.893 billion, representing an increase of RMB5.789 billion; and gross profit margin increased from 6.9% for the year ended 31 December 2015 to 16.3%, representing an increase of 9.4 percentage points.

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

Unit: RMB100 million

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

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

(2) Operating Results of Segments

1. *Coal segment*

- *Revenue*

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

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

Management Discussion and Analysis of Financial Conditions and Operating Results

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

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

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

Management Discussion and Analysis of Financial Conditions and Operating Results

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

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

☆: N/A for the period.
★: Selling price is agency service fee.
*: Briquette export.

- *Cost of sales*

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

Unit: RMB100 million

Item	**For the year ended 31 December 2016**	For the year ended 31 December 2015	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease (%)
Material costs	**37.97**	56.08	-18.11	-32.3
Proprietary coal trading cost ★	**173.53**	122.11	51.42	42.1
Staff costs	**26.20**	29.00	-2.80	-9.7
Depreciation and amortisation	**36.99**	41.82	-4.83	-11.5
Repairs and maintenance	**7.41**	6.79	0.62	9.2
Transportation costs and port expenses	**72.91**	106.14	-33.23	-31.3
Outsourcing mining engineering fee	**9.82**	11.27	-1.45	-12.9
Sales taxes and surcharges	**15.99**	12.88	3.11	24.1
Other costs	**19.05**	33.78	-14.73	-43.6
Total cost of sales for coal operations	**399.87**	419.87	-20.00	-4.8

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

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

Management Discussion and Analysis of Financial Conditions and Operating Results

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

Unit: RMB/tonne

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

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

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

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

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

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

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

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

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

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

- *Gross profit and gross profit margin*

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

2. Coal chemical operations

- *Revenue*

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

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For the year ended 31 December 2016, the Group's external sales revenue of polyethylene decreased by RMB5 million or 0.2% from RMB2.743 billion for 2015 to RMB2.738 billion; the external sales revenue of polypropylene increased by RMB49 million or 2.2% from RMB2.183 billion for 2015 to RMB2.232 billion; the external sales revenue of urea decreased by RMB629 million or 21.9% from RMB2.870 billion for 2015 to RMB2.241 billion mainly due to the combined effects of the year-on-year decrease in the price of urea and the transfer of subsidiaries; the external sales revenue of methanol decreased by RMB541 million or 47.5% from RMB1.139 billion for 2015 to RMB598 million mainly due to the increase of internal consumption volumes sold to other chemical enterprises within the Group.

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

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

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

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

- *Cost of sales*

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

Unit: RMB100 million

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

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

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

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

- *Gross profit and gross profit margin*

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

3. *Coal mining equipment segment*

- *Revenue*

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

- *Cost of sales*

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

Unit: RMB100 million

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

- *Gross profit and gross profit margin*

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

4. *Finance operations and other operations*

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

(3) Selling, General and Administrative Expenses

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

(4) Other Net Gains

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

(5) Profit from Operations

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

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

Unit: RMB100 million

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

Note: The above profits from operations for each operating segment are figures before netting of inter-segmental sales.

(6) Finance Income and Finance Costs

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

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

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

(8) Profit before Income Tax

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

(9) Income Tax Expenses

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

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

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

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III. CASH FLOW

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

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

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

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

IV. LIQUIDITY AND SOURCES OF CAPITAL

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

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

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V. ASSETS AND LIABILITIES

(1) Property, Plant and Equipment

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

(2) Mining and Exploration Rights

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

(3) Investments in Associates

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

(4) Prepayments and Other Receivables

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

(5) Borrowings

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

(6) Long-term Bonds

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

VI. SIGNIFICANT CHARGE OF ASSETS

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

VII. SIGNIFICANT INVESTMENT

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

VIII. MATERIAL ACQUISITIONS AND DISPOSALS

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

IX. REGISTRATION AND ISSUANCE OF MEDIUM-TERM NOTES AND SHORT-TERM FINANCING BONDS

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

X. OPERATIONAL RISKS

For details of the operational risks, please refer to the section "Directors' Report" in this report.

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XI. CONTINGENT LIABILITIES

(1) Bank Guarantees

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

Unit: RMB10 thousand

The Company's external guarantees (excluding guarantees for controlling subsidiaries)													
Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Date of execution of guarantee (the date of signing agreement)	Commencement date of guarantee	Expiry date of guarantee	Type of the guarantee	Completed or not	Overdue or not	Overdue amount	Counter guarantee available or not	Provided to the related party or not	Connected party relationship
China Coal Energy Company Limited	Company headquarters	Shanxi Pingshuo Gangue-fired Power Generation Company Limited	2,700	19 December 2008	19 December 2008	18 December 2020	Joint and several liability	No	No	–	Yes	No	–
China Coal Energy Company Limited	Company headquarters	Shanxi Pingshuo Gangue-fired Power Generation Company Limited	2,580	24 December 2008	24 December 2008	23 December 2020	Joint and several liability	No	No	–	Yes	No	–
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	5,150	28 March 2008	28 March 2008	20 December 2022	Joint and several liability	No	No	–	No	No	–
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	25,825.5	28 March 2008	28 March 2008	20 December 2023	Joint and several liability	No	No	–	No	No	–
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	9,981.1	28 March 2008	28 March 2008	20 December 2023	Joint and several liability	No	No	–	No	No	–
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	5,250	21 November 2012	21 November 2012	20 November 2027	Joint and several liability	No	No	–	No	No	–
China Coal Energy Company Limited	Company headquarters	Taiyuan Coal Gasification Longquan Energy Development Company Limited	36,040	29 October 2012	29 October 2012	31 January 2021	Joint and several liability	No	No	–	No	No	–
China Coal Energy Company Limited	Company headquarters	Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited	380,710.34	28 April 2013	28 April 2013	28 April 2025	Joint and several liability	No	No	–	Yes	No	–
China Coal Energy Company Limited	Company headquarters	Zhongtian Synergetic Energy Company Limited	1,154,525.47	25 May 2016	25 May 2016	As per agreement	Joint and several liability	No	No	–	No	Yes	–
Shanghai Datun Energy Resources Company Limited	Subsidiary	Fengpei Railway Company Limited	1,231.7	21 November 2013	21 November 2013	20 April 2024	Joint and several liability	No	No	–	Yes	No	–
China Coal Shaanxi Yulin Energy & Chemical Company Limited	Subsidiary	Yan'an Hecaogou Coal Mine Company Limited	12,500	28 November 2015	29 November 2015	1 September 2025	Joint and several liability	No	No	–	Yes	No	–
China Coal Shaanxi Yulin Energy & Chemical Company Limited	Subsidiary	Yan'an Hecaogou Coal Mine Company Limited	2,500	21 January 2016	27 January 2016	26 January 2019	Joint and several liability	No	No	–	Yes	No	–
Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)													1,054,539.21
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)													1,638,994.11
Guarantee provided by the Company to its subsidiaries													
Total guarantee to subsidiaries incurred during the reporting period													-74,297.21
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)													782,548.09
Total guarantee of the Company (including those to subsidiaries)													
Total guarantee (A+B)													2,421,542.20
Percentage of total guarantee to net assets of the Company (%)													28.1
Of which:													
Amount of guarantee provided to shareholders, de facto controllers and related parties (C)													–
Balance of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio of over 70% (D)													82,246.60
Excess amount of total guarantee over 50% of net assets (E)													
Total amount of the above three categories (C+D+E)													82,246.60

(2) Environmental Protection Responsibilities

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

(3) Contingent Legal Liabilities

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

XII. OTHER EVENTS

(1) Entrusted Wealth Management

As at 31 December 2016, the Group had neither entrusted wealth management nor investments in derivatives.

(2) Entrusted Loans

1. Overview

Unit: RMB10 thousand

Balance of entrusted loans at the beginning of the period	Amount incurred from entrusted loans for the current period	Actual amount of principal recovered from entrusted loans	Balance of entrusted loans at the end of the period
310,200	11,000	175,000	146,200

2. *Details*

Unit: RMB10 thousand

Name of borrower	Amount of entrusted loans	Term	Interest rates (%)	Collateral or guarantor	Overdue or not	Connected party transaction or not	Extended or not	Involved litigation or not	Source of capital and whether for fund raising or not	Connected party relationship	Expected return	Investment gains and losses
Yan'an Hecaogou Coal Mine Company Limited	40,000	One year	5.23%	–	No	No	No	No	No	–	2,092	29
Yan'an Hecaogou Coal Mine Company Limited	85,000	One year	6.60%	–	No	No	Yes	No	No	–	5,610	3,989
Hebei Sinocoal Risun Coking Company	10,200	Three years	7.47%	–	No	No	Yes	No	No	–	2,286	762
Lingshi Chinacoal Chemical Co., Ltd.	10,000	From August 2016 to March 2017	4.57%	–	No	Yes	Yes	No	No	China Coal Group's non-listing subsidiary	273	159
Lingshi Chinacoal Chemical Co., Ltd.	1,000	One year	4.60%	–	No	Yes	Yes	No	No	China Coal Group's non-listing subsidiary	46	41

3. *Other investments in wealth management products and derivatives*

As at 31 December 2016, the Group had no other investments in wealth management products or investments in derivatives.

Business Performance

I. PRINCIPAL BUSINESS OPERATIONS OF THE COMPANY IN 2016

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

(1) Coal Operations

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

1. Coal production

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

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

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

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

2. *Coal sales*

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

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

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

Business Performance

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

3. *Coal reserve*

Major mining areas	**Resource reserve (100 million tonnes)**	**Recoverable reserve (100 million tonnes)**
Shanxi	75.63	39.89
Inner Mongolia-Shaanxi	143.05	91.49
Jiangsu	7.67	2.83
Xinjiang	6.56	3.67
Heilongjiang	3.08	1.36
Total	235.99	139.24

Coal type	**Resource reserve (100 million tonnes)**	**Recoverable reserve (100 million tonnes)**
Thermal coal	205.81	127.26
Coking coal	30.18	11.98
Total	235.99	139.24

In 2016, the Company verified to increase resource reserve 5.028 billion tonnes, verified to decrease resource reserve 249 million tonnes, and utilised resource reserve 146 million tonnes. As at the end of 2016, the Company had coal resource reserve of 23.599 billion tonnes with mining rights and recoverable reserve of 13.924 billion tonnes in accordance with the mining standards of the PRC, among which resource reserve of 5.021 billion tonnes were gained through the obtainment of the exploration rights permit for the Dahaize coal mine issued by the Department of Land and Resources of Shaanxi Province on 13 April 2016.

(2) Coal Chemical Operations

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

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

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

Business Performance

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

Notes:
1. The production and sales volume of olefin do not include the production and sales volume of Mengda Engineering Plastics Project for the trial production.
2. The methanol sales volume of the Company includes sales of all proprietary methanol products amounting to 46,000 tonnes, produced by Heilongjiang Coal Chemical Group, a subsidiary of China Coal Group, excluding the internal self consumption of 306,000 tonnes.
3. Since June 2016, the production and sales data of coke of China Coal Jiuxin Company and production and sales data of urea of Lingshi Chemical Company were no longer incorporated in the scope of statistics of the Company.

(3) Coal Mining Equipment Operations

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

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

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

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

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

(4) Coordination among Operating Sectors

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

II. ANALYSIS OF CORE COMPETITIVENESS

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

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

Business Performance

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

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

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

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

III. COMPETITIVE LANDSCAPE IN THE INDUSTRY

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

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

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

IV. INDUSTRY DEVELOPMENT TRENDS OF THE BUSINESS OF THE COMPANY

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

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

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

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

V. PRODUCTION AND OPERATION PLANS OF THE COMPANY IN 2017

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

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

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

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

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

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

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

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

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

Due to the slowdown in current economic growth rate and great fluctuation in the coal market, actual implementation of the above operation plans may be subject to adjustments according to the actual circumstances of the Company. Thus, the operation plans disclosed herein would not constitute any commitment to results to investors by the Company. Investors should be informed and aware of risk in this connection.

VI. ENVIRONMENTAL POLICIES AND PERFORMANCE

By carefully implementing national laws, regulations and policies on resource conservation and environmental protection, the Company has continued to practise the core vision of "Green China Coal and Cares for the Nature". The Company has insisted on green strategies, relied on green technology, led by green culture, and pursued scientific exploration and mining, efficient usage of resources, clean production techniques, and ecological environment protection in the mining areas. As a result, the energy conservation, environmental protection and the construction of "Green China Coal" have obtained new achievements.

Building green mines. The Company has actively enhanced various green mining technologies in respect of preserving water resources while mining, mining without coal pillars and semi-continuous manufacturing, to achieve exploiting coal resources to its fullest extent according to the coal mining conditions. The Company has also optimised washing, preparation and processing, of which raw coal washing ratio has reached 100%, as well as decreased the coal's ash content and sulphur content to provide clean coal products. By positively capitalising on comprehensive resources and strengthening ecological restoration in the mining areas, the Company has facilitated all-win harmonious development with local enterprises. In 2016, the Company's recovery rate of mining area of coal mine, integrated energy consumption of raw coal, and integrated utilisation rate of coal gangue and mine water reached the leading level in the industry.

Advancing construction of green coal chemical projects. According to the requirements of industrialisation, intensification and circulation, the construction of new coal chemical projects such as for coal-based methanol, olefin, synthetic ammonia and urea, has finalised. The Company built water pipeline project for mine water in the Ordos base and utilised mine water as process water of the coal chemicals to mitigate the water shortage problem of the chemical enterprises. Through wastewater advanced treatment for its coal chemicals, Ordos Energy Chemical Company achieved "zero emission", thus providing valuable experience for the development of coal chemicals in the water shortage areas and ecological vulnerable areas. By vigorously implementing energy optimising solutions, the Company maximised recovery of all kinds of by-products and residue gas, heat and pressure with great efforts to reduce pollutant emission and improve the energy conversion rate.

Business Performance

Developing green electricity. New coal fired power plants were designed and built pursuant to the ultralow emission standards, which significantly facilitated upgrades and renovations of environmental protection equipment of the existing power plants that were subject to the national and local emission requirements, as well as greatly improved the renovation project of boiler flue gas of power plants of China Coal Energy Heilongjiang Chemical Company.

Promoting green manufacturing. In respect of coal mining machinery equipment manufacturing segment, the Company actively adopted advanced manufacturing technology such as, among others, digital manufacturing, high-speed cutting, rapid prototyping, for green manufacturing development, gave priority to materials and resources for its process plan and processing technique with lower energy consumption, less waste, lower noise and less pollution to the environment, and also focused on developing remanufacturing industry to create a green brand for the coal mining equipment with lower energy consumption, environmental protection and high efficiency.

VII. COMPLIANCE WITH LAWS AND REGULATIONS

During 2016, as far as the Directors were aware, the Group did not fail to comply with any relevant laws and regulations which may have a significant impact on the Group.

VIII. RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

Committed to realising the sustainable development target of "optimising the comprehensive value of economy, society and environment", the Group implements a strategy for chasing harmonious development, creating value for employees and customers and maintaining good relationship with suppliers. The Group recognises that the development of employees is the key assurance of sustainable evolution of the Company. Realisation and enhancement of their value would enable the achievement of the Group's overall target. Therefore, suggestions and opinions of our staff and staff representatives are heard by the Group via various channels, such as employees' representative conference, employee satisfaction surveys and forums so and so forth, which enables the Group to offer occupation training, better working environment and conditions, and provide long-term career prospects correspondingly. The Group attaches high importance to supplier selection, and intends to establish a long-term partnership with high-quality suppliers who will be selected through open tendering or working conferences at arm's length and for mutual benefit. In order to strengthen the Group's core competitiveness, the Group upholds a "customer-centric, market-oriented" marketing concept, and keeps itself informed of customers' needs instantly through service hotline, after-sale service, seminars and regular visits, thus providing qualified and personalised products and services to customers. For the year ended 31 December 2016, the Group did not have any substantial or significant disputes with its suppliers and/or customers.

Capital Expenditure

I. PERFORMANCE OF CAPITAL EXPENDITURE BUDGETED FOR 2016

The Company's capital expenditure budgeted for 2016 focused mainly on principal operations including coal, coal chemical and power generation. The coal segment primarily included large-scale coal mine extension construction projects such as Xiaohuigou Coal Mine and Yilan No. 3 Coal Mine and the capacity replacement plans for Muduchaideng Coal Mine, Nalin River No. 2 Coal Mine and Dahaize Coal Mine were approved by the NDRC. The coal chemical segment primarily included coal chemical extension projects such as Mengda 500,000 tonnes/year Engineering Plastics Project for the structural reform as well as transformation and upgrade of the Company. The power generation segment primarily included approved power plants extension projects such as Pingshuo 2×660MW low calorific value coal power project, Datun 2×350MW "building large-scale ones and decommissioning small-scale ones" thermal power project and the second power plant located in the north of Wucai Bay, Zhundong, Xinjiang for the structural reform as well as transformation and upgrade of the Company. With the completion of a series of large-scale coal chemical projects and commencement of construction of large-scale and modern power plants in succession, the industrial structure of the Company has been further optimised.

Focusing on principal operations including coal, coal chemical, coal mining equipment and power generation, the Company's capital expenditure for 2016 was budgeted at RMB13.87 billion, of which RMB10.42 billion or 75.13% was invested during the reporting period.

Performance of Capital Expenditure Budgeted for 2016 (By Item)

Unit: RMB100 million

Items of capital expenditure	**Budgeted investment in 2016**	Actual investment in 2016	Actual investment ratio (%)
Total	**138.70**	104.20	75.13
Infrastructure projects	**106.55**	80.18	75.25
Equity investment	**16.87**	15.57	92.29
Acquisition and maintenance of fixed assets	**15.28**	8.45	55.30

Performance of Capital Expenditure Budgeted for 2016 (By Business Segments)

Unit: RMB100 million

Business segments	**Budgeted investment in 2016**	Actual investment in 2016	Actual investment ratio (%)
Total	**138.70**	104.20	75.13
Coal	**72.17**	57.74	80.01
Coal chemical	**25.04**	22.19	88.60
Coal mining equipment	**0.49**	1.15	234.69
Power generation	**40.75**	23.02	56.49
Others	**0.25**	0.10	40.00

Capital Expenditure

In 2016, the Company's external equity investment was RMB1.557 billion, representing a year-on-year decrease of RMB643 million or 29.23%, among which contribution of RMB613 million for capital increase in Zhongtian Synergetic Company was made in proportion to shareholding of each Shareholder; an amount of RMB694 million was paid for the acquisition of 45% equity interests in Shanxi Xiaohuigou Coal Industry Company Limited. The abovementioned two acquisitions were financed through self-owned funds.

II. ARRANGEMENT FOR CAPITAL EXPENDITURE IN 2017

In line with the keynote of "seeking progress in stability" put forward by the Central Economic Work Conference and the general layout of the "Thirteenth Five-Year Plan" of the Company, the Company will adhere to the overall working principles of "quality improvement amid stability with reform and innovation" with respect to its capital expenditure plan in 2017. Furthermore, the Company will pay close attention to economic situation and industry development trends, in particular, state policies with respect to coal mines reduction replacement and the orderly development of coal power projects. The Company diverts its investment primarily to coal, coal chemical and power generation industries which are conducive to the structural adjustment as well as transformation and upgrading of the Company with reference to the current financial position as well as financing capabilities of the Company and in accordance with the principle of "keeping expenses within its income, being stringent and tightened, observing laws and regulations and highlighting priorities". Where permitted by government policy, the coal segment will give priority to Xiaohuigou Coal Mine, Yilan No. 3 Coal Mine and other coal mining extension construction projects. The coal chemical segment will give priority to finalising large-scale coal chemical projects in progress such as Mengda 500,000 tonnes/year Engineering Plastics Project. Meanwhile, the Company will reinforce the existing coal chemical projects already put into production as soon as practicable. The power generation segment will give priority to the approved power plants extension construction projects such as Pingshuo 2×660MW low calorific value coal power project, Datun 2×350MW "building large-scale ones and decommissioning small-scale ones" thermal power project and the second power plant located in the north of Wucai Bay, Zhundong, Xinjiang.

The Company's capital expenditure budgeted for 2017 is RMB15.215 billion, representing an increase of RMB1.345 billion or 9.7% compared with that of 2016. Out of the capital expenditure budget stated above, RMB12.537 billion will be invested in infrastructure projects (including expenditure of RMB86 million for preliminary works of the projects); RMB1.313 billion will be invested in the acquisition of fixed assets, small scale construction, renovation and maintenance and RMB1.366 billion will be utilised in equity investment.

Set out below is the capital expenditure budget by business segment:

Unit: RMB100 million

Business segment	**Budgeted investment in 2017**	Actual investment in 2016	Increase/decrease in capital expenditure budget in 2017 compared with actual investment in 2016 (%)	Percentage of total (%)
Total	**152.15**	104.20	46.02	100.00
Coal	**70.14**	57.74	21.48	46.10
Coal chemical	**23.93**	22.19	7.84	15.73
Coal mining equipment	**1.10**	1.15	-4.35	0.72
Power generation	**56.98**	23.02	147.52	37.45
Other	**0**	0.10	-100	0

The major equity investment projects for 2017 includes the contribution for capital increase in Zhongtian Synergetic Company, the amount paid for the consolidation of small scale coal mines within Pingshuo East Open Pit Mine, final payment for the acquisition of equity in Muduchaideng Coal Mine, contribution to the investment in the second power plant located in the north of Wucai Bay, Zhundong, Xinjiang, etc.

In 2017, the Company will arrange reasonable scale and pace of debt financing according to the needs of production and operation, and the budgeted capital expenditure. Detailed arrangements will be made with reference to the actual condition of the Company.

According to the development plan and objectives of the Company, the budgeted capital expenditure may be subject to changes in line with the Company's business development (including potential acquisitions), the progress of the investment projects, the change in market conditions and the status of obtaining the required government approvals and regulatory documents. The Company will make disclosures in a timely manner in accordance with the requirements of the regulatory authorities and the stock exchanges.

III. CORPORATE DEVELOPMENT STRATEGY

Under the new normal of national economic and energy development, the Company will unswervingly adhere to its development philosophy, precisely capture opportunities, and actively respond to challenges so as to expand industry advantages and offset its shortcomings in development. Leveraging on the development layout of the "Thirteenth Five-Year Plan", the Company has defined its strategic vision as well as the development strategies and goals for the next 5 years:

Strategic Vision: The Company will aim to build up its position as a clean energy supplier with relatively strong international competitiveness. The Company will also strive to become a leader in green and safe production, a fugleman of clean and highly-efficient utilisation and a provider of quality services, and to maximise the interests of enterprise and the employees, the Shareholders and the society.

Capital Expenditure

Development Ideas for the Next 5 Years: According to requirements for provider of clean energy of being market-oriented and focusing on optimising efficiency, the Company will strive to establish a new circular economic business line for coal, power and chemical, and to build a new regional layout of “full function, customised differentiation and complementary advantages” to deal with the critical relationships between short-term and long-term, reform and stability, as well as management control and vitality. The Company will be committed to making a good job on 5 key tasks which include safety and stability, quality and efficiency improvement, transforming and upgrading, reforming and adjusting, as well as consolidating the foundation. The Company will consciously implement the 5 key development concepts of making innovation, coordination, green, open and sharing.

Coal Industry: The Company will focus on promoting clean and efficient development of coal. The Company will vigorously promote the construction of integrated projects of coal, electricity and chemical to enhance the coal production efficiency and to increase the on-site transforming ratio of coal and to highlight the economy of scale and intensive development. By leveraging on elements including the richness of coal resources, market location and environmental capacity, the Company will focus on developing the large-scale coal bases in Inner Mongolia-Shaanxi and Shanxi, etc. with differentiation so as to fully realise the transformation from speed and scale-oriented mode to quality and efficiency-based mode.

Coal Chemical Industry: The Company will adopt the most advanced coal gasification technology and environmental energy saving standard to construct the large-scale coal chemical bases in Inner Mongolia-Shaanxi and Shanxi, etc. The Company will steadily promote the upgrading model projects of coal-based new materials, chemical fertiliser and new energy, strictly control the energy consumption, water consumption and emission of pollutants, so as to cluster the project, expand the production scale and refine the products. The Company will increase the standard of multi-production and added-value of coal-based products so as to realise the transformation from traditional coal chemical to modern refined coal chemical.

Power Generation Industry: Focusing on the construction of the nine 10-million-kilowatts large-scale coal power generation bases in Ordos, north Shanxi, north Shaanxi and Zhundong, etc., and fully integrating with the resources, environmental capacity and power transmission channels in the coal mining areas, the Company will adopt the most advanced power-saving, water-saving and environmental-friendly electricity generation techniques and construct the large-scale mine mouth coal fired power plants and low calorific value coal power plants in Shanxi, Xinjiang and Jiangsu, etc., so as to enhance the value chain of the coal-electricity industry and to achieve integrated and synergetic development of coal and electricity.

Coal Equipment Manufacturing Industry: By grasping the strategic opportunity of international resource cooperation and reacting to the “Made-in-China 2025 Strategic Plan”, the Company will further deepen the reform on the management system and adhere to its technological innovation and technical cooperation. Besides, it will also focus on boosting in-depth integration of equipment manufacturing with new information technology including IOT, big data and cloud computing, etc. The Company will promote big scale, high-end and smart equipment manufacturing, strengthen its technology reserve and research and development of products and in turn procure the localisation of leading technology and equipment and the internalisation of significant technology and equipment in respect of coal mines. The Company will seek to speed up the equipment manufacturing in a move to make transformation from a production-oriented mode into production-and-service-oriented mode and to turn itself into an equipment manufacturing service provider with relatively strong international competitiveness.

Capital Expenditure

The Future 5-year Development Goal: To fundamentally complete the structure adjustment through a series of enhancement, adjustment, transformations and upgrades, to make the regional layout more harmonised, the industrial synergetic effects more remarkable, the results arising from service transformation outstanding, the corporate management more scientific and reasonable, the Company will further improve the comprehensive economic power, the sustainable development capability and the innovation initiatives of the employees; and to lay down a solid foundation for the Company to become a clean energy supplier with relatively strong international competitiveness.

Technological Innovations

In 2016, China Coal Energy persisted in conducting problem-oriented and creation-driven technological innovation that focused on actual effects. The Company gained new achievements in critical technology development, on-the-job innovation and benefits creation, and cultivation of R&D capability, which made active contributions to safety production, quality and efficiency improvement, transformation and upgrading.

I. NEW R&D BREAKTHROUGHS IN KEY TECHNOLOGIES

During 2016, the "Demonstration Project of Key Technology Innovation and Industrialisation for Fully Mechanised Longwall Mining with Annual Output of 10 Million Tonnes", a low-carbon technology innovation and industrialisation demonstration project of the NDRC undertaken by China Coal Energy, passed acceptance inspection. The project facilitated the construction of the model digitalised coal mine of "one shaft and one working face" with annual production of 10 million tonnes, setting a good example for China's coal industry to develop towards the energy-saving, green and low-carbon direction. The "Development and Application of Fully Automatic Plough Mining Face Equipment", a subject of the National 863 Programme which the Company undertook, passed acceptance inspection, achieved breakthroughs in a number of remote control technologies, and improved equipment automation and intelligence level.

Complete fully mechanised mining equipment for thin coal seam, automatic low height roadheader and ultralow auxiliary equipment were developed by the Company in its key technological project "Development and Application of Technology and Complete Equipment in Thin Coal Seam Mining", and were promoted and applied in several coal mines in China. "Technology Research on Long Period Stable and Optimised Operation for BGL Gasification Unit" project achieved the single furnace continuous operation cycle of 186 days, reaching an international leading level, and was the first to pass the 72-hour performance assessment among its peers. The Company successfully developed, promoted and applied the coal chemical gasification wastewater treatment technology, built the automated, refined and visualised intelligent control platform for coal-to-olefin production process, and achieved the overall leading technology in China.

The Company promoted the transformation of its equipment product development toward the "heavy-duty, high-end, intelligent and international" direction, and continued to develop new products in accordance with the requirement of "replacing operators by mechanisation and downsizing employees by automation" of the coal industry. The Company successfully developed new important coal machineries such as the intelligent AFC system with maximum power in China and intelligent powered hydraulic roof support with 8.8m mining height in the world, and launched them into market. Key parts for our self-developed equipment such as 1,000KW gear box, fluid coupling, large-size chain for mining, high power mining motor and high-end shearer arm have been substituted with parts made in China.

II. INITIAL SUCCESS IN INNOVATION AND ENTREPRENEURSHIP ACTIVITIES

During 2016, the Company focused on eliminating losses, overcoming difficulties, increasing quality and efficiency, and constantly stimulating the employees' vitality and potential of innovation and entrepreneurship based on their positions. The Company held forums on innovation and entrepreneurship, implemented the "Guidance on Further Promotion of Mass Innovation and Public Entrepreneurship of China Coal Group", and encouraged subsidiaries to actively explore and establish new distinctive mechanisms which promoted the further development of innovation and entrepreneurship activities. The new practices, new modes and new experiences accumulated in the activities were effectively strengthened and promoted. The Company completed a total of 55 grassroots innovation studios, including 1 national skill master studio and 10 skill master studios in the coal industry, effectively promoting more precise coupling of on-the-job innovation and entrepreneurship to the enterprise and site demand, and forming the lively situation of "all striving to be innovators".

In view of technical bottlenecks and problems in the front-line production process, the Company organised and developed various forms of on-site technical innovation activities which focused on solving the problems faced by different posts, and carried out and promoted over 700 "five small" technological projects and results, achieving significant safety and economic benefits. In particular, the results such as the automatic telescopic safety protection device on stage loader and the protective cover for lemniscate bars of powered support effectively safeguarded the safety of site operation personnel, the framework circle wind solar hybrid street light was awarded the third prize of the enterprise-group of the 2016 "China Innovator" innovation and entrepreneurship competition, thus exploring new business areas for the Company, the "Proposal of diesel exhaust emission for MH-40 multi-functional underground carrier", which effectively safeguarded the health of underground operation workers, won the Outstanding Employee Technical Innovation Award of the All-China Federation of Trade Union. Through organising innovation and entrepreneurship activities, the Company set up an innovation and entrepreneurship platform focusing on its principal businesses and leading products, which accelerated the enhancement of innovation capability and efficiency of the Company, promoted the product structure adjustment and technology upgrading, speeded up the transformation, application and promotion of technology achievements, and effectively promoted the cost reduction, efficiency improvement and innovative development of the Company.

III. NEW PROGRESS IN IMPROVING R&D CAPABILITY

During 2016, the National Energy Coal Mining Equipment R&D Centre of the Company established a centralised control system simulation platform for coal mining working face, representing new progress achieved in improving R&D capability. China Coal Zhangjiakou Coal Mining Machinery Company was recognised as a "National Technology Innovation Demonstration Enterprise" by the Ministry of Industry and Information Technology of China and became one of the only two enterprises obtaining this approval in the coal industry. All national and provincial research and development institutions of the Company passed annual reviews, and with the research institutions' development of the key core technology as the lead, the breakthrough of the production line research by the grass-roots employee innovation studio as its base, specialised maker space as main body of result incubator, and the strategic cooperation of industry-university-research as its support, the Company has built the technological innovation system with the unique characteristics of China Coal Energy which combines independent innovation, collaborative innovation and mass technical innovation in one, which further improved the innovation capability."The Proposal for Industrial Transformation, Upgrading and Technological Innovation of the Equipment Sector in the 'Thirteenth Five-Year Plan'" was prepared and completed by the Company, which has instructive significance in guiding and promoting the transformation and upgrading of the equipment industry.

During 2016, the Company achieved a number of new high-level key technological achievements, and obtained 14 technology progress awards both in industrial and provincial levels. In particular, two achievements including the Coal Mining Mode and Practice in Super Large Open-Cast and Underground Coal Mining in Pingshuo Mining Area were awarded the first prize of Science and Technology Award by China National Coal Association, and the Research and Application of Unmanned Intelligent Coal Mining Technology and Equipment for Medium-Thick Coal Seam was awarded the first prize of the Science and Technology Progress Award of Shaanxi Province. The Company was granted 190 new patents (including 45 invention patents), as a result, the competitiveness of the Company's core technologies was further enhanced.

Investor Relations

In 2016, under the principle of "openness, fairness and impartiality", and with an aim of strengthening the maintenance of investor relations and enhancing corporate governance, China Coal Energy kept frank and sufficient communications with its domestic and overseas investors as well as industry analysts through various channels including presentations of results, non-deal road-shows, investment forums, routine visits and telephone conferences, and held 108 investor meetings of various kinds with 1,092 attendees in total. These activities included 13 presentations of annual results and road-show meetings with 404 attendees, 68 day-to-day receptions of investor visits and telephone conferences with 309 participants and attendees, and 15 forums organised by domestic and overseas securities firms with 27 meetings and 379 attendees.

I. HOLDING PRESENTATIONS OF RESULTS AND RESULTS ROADSHOWS, AND ACHIEVING SUFFICIENT COMMUNICATION WITH CAPITAL MARKET

The Company's management attended the press conference and presentation of 2015 H Shares annual results in person, delivered a detailed briefing about the latest business results of the Company to the media and coal industry analysts, patiently answered the questions raised by investors, and achieved positive effects of communication. After the presentation of results, the Company held non-deal road-shows, visited important shareholders and potential institutional investors, discussed with them on key issues including the domestic macro economy and the trend of coal industry, which helped to deepen the investors' understanding towards the Company. The Company insisted on holding routine telephone briefings upon the release of the 2016 A Shares first quarterly report, the 2016 A Shares/H Shares interim report and the 2016 A Shares third quarterly report, introduced the Company's production and operation situations in 2016 to online investors at home and aboard, and timely responded to their main concerns.

II. ATTACHING GREAT IMPORTANCE TO COMMUNICATIONS WITH INSTITUTIONAL INVESTORS, AND ESTABLISHING SMOOTH COMMUNICATION CHANNEL

The Company adhered to the practice of receiving investors on every Tuesday and Thursday, arranged the reception of investor's on-site visits, answered visitors' queries earnestly and candidly, carefully explained the operation situation, development prospects and future plans of the Company, which greatly enhanced the understanding of capital market towards the Company. The Company actively participated in various investment forums held by investment banks and security companies at home and abroad, communicated with numerous investors with respect to, among others, the national macroeconomic trend, industry outlook and corporate operational fundamentals in a timely and efficient way.

III. ORGANISING REVERSE ROAD-SHOW AND STRENGTHENING INVESTMENT CONFIDENCE OF INVESTORS

The Company organised important Shareholders to visit Shanxi Pingshuo coal production base and coal chemical projects in Inner Mongolia-Shaanxi base, demonstrated the achievements that the Company had made promptly in response to the profound adjustments, transformations and upgradings in the coal industry. Through interactions, communications and field researches, the Company strengthened the understanding of important Shareholders towards the production and operation aspects of China Coal Energy's coal production and coal chemical projects, further solidifying their confidence of investing in the Company.

VI. FOCUSING ON THE COLLECTION OF MARKET OPINIONS AND SUGGESTIONS, AND PROVIDING THE COMPANY WITH FEEDBACK IN A TIMELY MANNER

On the basis of building up extensive communication with investors, the Company focused on enhancing the dynamic tracking of share price valuation, analysts' reports and media comments, while tracing and analysing hot topics in the capital market, and advising the Company's management with the responses of the capital market in a timely manner to facilitate their decision-making. The Company earnestly arranged the Q&A session in the general meeting so that the voices of minority Shareholders were understood and Shareholders' opinions and suggestions could be adopted reasonably. Following the disclosure of the Company's results, the Company carried out investor surveys, actively enquired the views and comments of coal industry analysts on the Company's operation results, information disclosure and investor relations management, and solicited suggestions from the capital market for the Company's business development.

V. STRENGTHENING THE AWARENESS OF SERVING THE SHAREHOLDERS, AND ENSURING A SMOOTH INVESTORS COMMUNICATION PLATFORM

Investor relations column which has been established on the Company's website not only provides statutory information disclosure contents such as annual reports, interim reports, quarterly reports and announcements of major events, but also voluntarily discloses monthly productive and operational data so as to satisfy the needs of investors as much as possible. Through the E-interactive Platform of the Shanghai Stock Exchange, the Company continued to respond to the public about their questions related to the Company's development strategies, business operations, etc., and strived to uplift the coverage and effectiveness of the communication with investors. The Company also appointed dedicated staff to answer the calls from the investor hotline and to deal with emails and faxes, provided minority investors with timely reply, so as to effectively safeguard their legitimate rights and interests.

Looking forward, China Coal Energy will continue to improve its investor relations management mechanism, further enhance the quality of investor communication, and look forward to obtaining more support and attention from investors.

Safety, Health, Environmental Protection and Social Responsibility

I. SAFE PRODUCTION

In 2016, the Company strictly complied with the national regulatory requirements and policies on production safety. The Company highlighted key control areas, paid great attention to major disaster prevention and control, reinforced safety fundamentals, intensified the commitment of responsibility and rigidly executed safety supervision, as a result, the situation of production safety maintained stable.

Firstly, further implementing safety accountability. With a view to implementing the safety production responsibility system, responsibility undertakings were signed at each level to devolve and implement safety accountability, and safety regulatory bureau officer regular meetings were held to supervise and urge the implementation of every safety work by every respective enterprise and every department. The safety responsibility mechanism and safety management system were constantly improved to explicitly point out the key points and responsibilities of the Company, subsidiaries, plants, mines, and working teams in respect of safety control. The Company established Coal Chemical Safety Supervision Bureau, and gradually improved the coal chemical safety management system. Assessments under the production safety accountability system and safety management were conducted on the persons in charge of 11 enterprises so as to facilitate the implementation of safety responsibilities.

Secondly, constantly enhancing safety risk control efforts. The Company organised its subsidiaries, mines and plants to prepare safety risk reports so as to timely identify various medium and high safety risks, of which high safety risks were labelled and urged to be tackled. Monthly scheduling and tracking were carried out regarding safety risk control and monthly production safety video conferences were held to report the implementation of major safety work. Special attention was paid to the supervision and examination on mines and coal chemical plants with high safety risks. Professional technicians were organised to offer on-site supervision and guidance during the operation of high risky projects.

Thirdly, constantly strengthening safety quality standardisation construction. The Company formulated a safety quality standardisation plan, which was included in the assessment of the enterprise leader safety management. The Company advanced a new scheme of standardisation construction and issued the "Guidance on Refined and Programmed Management on Safety Quality", in order to lead its standardisation work towards a higher level. The Company convened the meeting to push forward the production safety standardisation construction of coal chemical enterprises, in a bid to further promote the production safety standardisation work of coal chemical enterprises. 10 enterprises achieved the standards for a safety assured enterprise and super safe quality standardisation and 12 coal mines were named as the "National First-Level Safety Quality Standardised Coal Mines for 2015".

Fourthly, persistently strengthening safety supervision and inspection. Safety risk and potential hazard analysis meetings were held to identify timely any material risk or potential hazard existing in enterprises, and to supervise and urge enterprises in carrying out preventive and control measures, rectification scheduling and tracking. In respect of key periods as well as special events including "March Safety Warnings", "Production Safety Month" and "100-day Safety", the Company set up a production safety inspection team to ensure incessant safety inspections. Besides, the Company carried out, by means of self inspections, cross inspections and the Company's random inspections, "one ventilation and three preventions" and special inspections for water prevention and control, anti-dropping of mine shafts, leakage prevention of coal chemical enterprises, and effectively eliminated potential safety risks.

Fifthly, further improving safety guarantee capability. By holding production safety training courses for mine managers in charge of mining production, safety and technology, the Company enhanced its safety education and further improved the quality of employees. To enhance the management of external contractors, the Company counted turnover of external contractors of respective enterprises quarterly, and supervised and inspected the management of external contractors of respective enterprises through routine safety inspections, special inspections and safety appraisals. The Company amended its production emergency response plans and carried out coal chemical accident emergency drills. The Company applied for approval on its state-level hazardous chemicals emergency rescue base construction programme and received the government's financial support. In the Second Session of the National Hazardous Chemicals Rescue Technology Competition, China Coal Shaanxi Company delivered excellent performance and won a teamwork excellence prize and a second prize in individual competition.

II. OCCUPATIONAL HEALTH

Adhering persistently to the occupational hazard prevention and control principles of "people-oriented approach, prevention first, and comprehensive treatment", the Company has improved its prevention and control system in an ongoing manner, strengthened training and education, secured capital investment and reinforced supervision and inspection, and as a result, the Company's occupational health work has been running effectively in accordance with relevant laws and regulations. Firstly, the Company optimised the construction of occupational health management system. The Company regularly analysed and assessed the hazardous elements to occupational health, amended the management system and measures for prevention and control of occupational hazards in time, implemented the responsibilities of the subjects who were accountable for prevention and control of occupational diseases, and improved the occupational health management. Secondly, the Company carried out in-depth retraining and reeducation on occupational health and safety. The Company adopted various ways and means to enhance the effectiveness of such training and education, and unceasingly stimulated the self-protection awareness of its employees, so as to prevent and avoid occupational hazards from the source and reach for intrinsic safety. Thirdly, the Company continued to increase capital investment in occupational health. The Company disbursed enough special funds for prevention and control of occupational hazards from safety expenditures, which were utilised to fund employees' medical examination, occupational health promotion, education and training, and prevention and control of hazardous elements to occupational health, in a bid to minimise occupational injuries. Fourthly, the Company enhanced supervisions and inspections on occupational health. The Company enhanced on-site management of and control over construction projects, conducted regular inspections and monitoring, publicised hazardous elements to occupational health, and, in respect of unacceptable items, urged rectifications within a specified period of time, in order to build a good and safe working environment for all working staff.

Safety, Health, Environmental Protection and Social Responsibility

III. ENVIRONMENTAL PROTECTION

In 2016, the Company seriously implemented national laws and regulations on energy conservation and environmental protection, strictly complied with the policy requirements imposed by relevant national ministries on energy conservation and environmental protection, improved the mechanism of the working system, strengthened the efficiency of energy conservation and cost reduction, and highlighted the control of environmental protection risks, thus obtained positive results in the course of energy conservation and environmental protection. The Company achieved the annual control goals in regard to integrated energy consumption per RMB10,000 production output, emission of sulphur dioxide, chemical oxygen demand and NOx, and didn't record any larger environmental incidents throughout the year 2016. Remarkably, Ordos Energy Chemical Company, the Company's subsidiary, was awarded with the 2016 China CSR "Green Award".

Firstly, the Company strengthened control over the goal regarding energy conservation and environmental protection. The Company devolved its environmental protection assessment targets level by level and had responsibility undertakings signed at each level. The Company reinforced analysis and monitoring, urged the related enterprises to consummate the statistical ledgers, enhanced online monitoring over pollutant sources and energy consumption measuring instruments, improved the informatisation level of statistics, and ensured the timeliness, completeness, and reliability of data. The Company strengthened daily supervision and inspection, and strictly implemented the assessment of rewards and punishments.

Secondly, the Company enhanced environmental protection management over the whole process of construction projects in accordance with laws. The Company enhanced the control over sources, and made strict environmental impact assessments for construction projects in accordance with laws and regulations and standard requirements regarding environmental protection. Environmental protection measures were strictly carried out, and the environmental protection facilities were designed, constructed, and put into production simultaneously with the main construction. The Company strengthened acceptance management over environmental protection, and obtained the completion acceptances for environmental protection facilities of Pingshuo East Open Pit Mine, the coal-based synthetic ammonia and urea projects of Ordos Energy Chemical Company and the coal-based methanol project of China Coal Yuanxing Company. The Company strengthened operation management of environmental protection facilities, and basically met the emission reduction targets in full with regard to major pollutant sources and pollutants. In 2016, the Company and its subsidiaries paid in total aggregated sewage charge of RMB51.06 million.

Thirdly, the Company accelerated the upgrading and reconstruction of energy conservation and environmental protection. The Company focused on boosting the improvement of energy conservation technologies of coal chemical enterprises, reducing unit energy consumption of products, and enhancing market competitiveness. Ordos Energy Chemical Company implemented the energy conservation-oriented reconstruction to recycle liquid nitrogen exhaust gas, and approximately 30,000 tonnes of standard coal could be saved each year. Shaanxi Company implemented the project to recycle polyethylene device exhaust, and 1,500 tonnes of standard coal could be saved each year. The Company accelerated the promotion of environmental protection-oriented upgrading and reconstruction. In particular, Pingshuo Company completed the sealing reconstruction for all of its coal storage yards, and effectively controlled dust pollution in the mining areas; Shaanxi Company deployed advanced technologies in industrial waste gas treatment, the sulphur recovery rate could reach 99.8%, and the emission concentration of industrial sulphur dioxide could be far lower than national standards. China

Coal Huajin Company established an underground water treatment and reuse system in shafts of Wangjialing Coal Mine, and water drained away from the shafts could all be reused, not only solving the problem of pollution caused by coal slime treatment on the ground, but also saving water resources.

Fourthly, the Company continued to push forward the ecological management and water-soil conservation in mining areas. According to the characteristics of the ecology of respective corporate regions, the Company conducted focused and step-by-step treatment of subsidence areas, integrated renovation of waste dumps and water-soil conservation in order to protect and improve the regional ecology, promote harmony between corporates and the regions, and create a win-win situation for ecology and development. During 2016, Pingshuo Company realised forest coverage of approximately 30,000 m^2, and reclamation area of 1,600 mu in open pit mines; and implemented the water-soil conservation projects for the northern waste dump of Pingshuo East Open Pit Mine and the gullies around Antaibao No. 4 internal discharge shaft. Enterprises like China Coal Huajin Company, in strict accordance with the national standards and design specifications, bulldozed, compacted, earthed and afforested gangue fields and cinder yards, so as to effectively protect the ecology environment and prevent water and soil losses.

Fifthly, the Company launched management initiatives against carbon emission. In accordance with the Notice on Making Key Preparations for Starting the National Carbon Emissions Trading Market issued by the NDRC, the Company led its affiliated electric power enterprises and chemical enterprises in cooperating with local government in carbon emission-based accounting and inspection. The Company organised twice large scale training courses on building carbon management capability, and thereby enhanced the carbon emission management capability and the capacity to deal with future carbon market of its subsidiaries.

Sixthly, the Company enhanced the service capability in the energy conservation and environmental protection industry. Internal enterprises like Shanghai Energy Company and China National Coal Mining Equipment Company Limited were promoted to provide services, based on their respective advantages, in consultation, design and construction, testing, and operation and maintenance of energy conservation and environmental protection projects, with a view to facilitating the development of the energy conservation and environmental protection industry.

IV. SOCIAL RESPONSIBILITY

Details of social responsibilities are set out in the Social Responsibility Report published by the Company on the HKSE Website, the SSE Website and the Company Website.

Directors, Supervisors, Senior Management and Employees

I. GENERAL INFORMATION ON DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Unit: Share

Name	Position held (Note)	Gender	Age	Effective date of appointment	Termination date of appointment	Shareholding at the beginning of the year	Shareholding at the end of the year	Changes in shareholding during the year	Reasons of change	Total salaries and bonus received from the Company during the reporting period (RMB ten thousand) (before tax)	Total amount of five insurances and one fund as well as annuity paid by the Company during the reporting period (RMB ten thousand)	Whether receiving remuneration from related parties during the reporting period
Li Yanjiang	Chairman Executive Director	Male	59	October 2015 June 2015	June 2018	–	–	–	–	0	0	Yes
▲Peng Yi	Vice Chairman Executive Director Non-executive Director	Male	54	June 2015 March 2017 June 2015	June 2018 June 2018 March 2017	–	–	–	–	0	0	Yes
Liu Zhiyong	Non-executive Director	Male	59	June 2015	June 2018	–	–	–	–	0	0	No
▲♦Gao Jianjun	Executive Director, President	Male	58	June 2015	17 March 2017	–	–	–	–	59.48	12.62	No
Xiang Xujia	Non-executive Director	Male	47	June 2015	June 2018	–	–	–	–	0	0	Yes
Zhang Ke	Independent Non-executive Director	Male	63	June 2015	June 2018	–	–	–	–	30	0	No
& Zhao Pei	Independent Non-executive Director	Male	67	June 2015	December 2016	–	–	–	–	30	0	No
& Ngai Wai Fung	Independent Non-executive Director	Male	54	June 2015	December 2016	–	–	–	–	30	0	No
Zhou Litao	Shareholder Representative Supervisor	Male	56	June 2015	June 2018	–	–	–	–	0	0	Yes
▲Zhao Rongzhe	Shareholder Representative Supervisor	Male	51	June 2015	June 2018	–	–	–	–	0	0	Yes
♦●Zhang Shaoping	Employee Representative Supervisor	Male	52	June 2015	June 2017	–	–	–	–	44.75	12.06	No
♦Qi Hegang	Vice President (acting President)	Male	57	June 2015	June 2018	–	–	–	–	49.49	12.62	No
♦●Pu Jin	Vice President	Male	56	June 2015	June 2018	–	–	–	–	66.07	12.16	No
♦Zhou Dongzhou	Secretary to the Board and Company Secretary	Male	58	June 2015	June 2018	–	–	–	–	49.28	12.62	No
♦★Niu Jianhua	Vice President	Male	54	June 2015	August 2016	–	–	–	–	37.10	7.30	No
♦▲Weng Qing'an	Chief Financial Officer	Male	60	June 2015	August 2016	–	–	–	–	41.81	9.17	No
Total	/	/	/	/	/	–	–	–	/	437.98	78.55	/

Note: 1. Remuneration of the above Directors, Supervisors, senior management is calculated based on the period during which they hold office.

2. The remunerations during the reporting period presented are the remunerations of Directors, Supervisors and senior management received from the Company.

3. ★Mr. Niu Jianhua resigned in August 2016 due to job rotation.

4. ▲Mr. Weng Qing'an resigned in August 2016 due to reaching the age of retirement.
Mr. Gao Jianjun resigned on 17 March 2017 due to personal reasons.
Mr. Zhao Rongzhe resigned on 22 March 2017 due to job rotation and continued to perform his duties until a new Supervisor takes office.
Mr. Peng Yi was redesignated on 22 March 2017 as an executive Director from a non-executive Director and was elected as the Vice Chairman of the Board.

5. ◆The percentage of the performance-based salary paid for the current period was 70% (including the deferred performance-based salary in the previous year).

6. ●The performance-based salary of the year was not pre-paid, and will be paid next year.

During the reporting period, the Company has two executive Directors, three non-executive Directors and three independent non-executive Directors. Other than working relationship, there is no any other relationship between any of the Directors, Supervisors or senior management of the Company in respect of finance, business and family or in other material aspects. The Company has received an annual confirmation letter from each of the independent non-executive Directors with regard to their independence. As at the date of this report, the Company considers that all the independent non-executive Directors are independent pursuant to the Hong Kong Listing Rules.

II. MAJOR WORKING EXPERIENCE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

1. **Li Yanjiang**, aged 59, is the Chairman and Executive Director of the Third Session of the Board of the Company. He currently serves as the Chairman of the board of directors of China Coal Group. Mr. Li graduated from Fu Xin Mining Institute with a Bachelor's Degree and obtained the title of Researcher in January 1982. He served as the General Manager of China Coal International Economic and Technical Cooperation Corporation, the Chairman of the board of directors, General Manager and Deputy Secretary of Party Committee of China Coal Construction Group Corporation, the Director General of the Plan and Development Department of State Administration of Coal Industry, Director and the General Manager of China National Coal Industry Import and Export (Group) Corporation, the Secretary of Party Committee and the Vice President of China Coal Research Institute, the Chairman of the board of directors, Secretary of Party Committee and General Manager of China Foma (Group) Co., Ltd. as well as the Secretary of Party Committee and a Director of China National Machinery Industry Corporation, the Vice Chairman of the board of directors and the General Manager of China Coal Group and other positions. Mr. Li has long been engaged in areas of production, operation and management of coal enterprises, and has strong background in coal industry and extensive experience in corporate operation and management.

Directors, Supervisors, Senior Management and Employees

2. **Peng Yi**, aged 54, is the Vice Chairman and Executive Director of the Third Session of the Board of the Company. He is currently also a Director and the General Manager of China Coal Group, Vice Chairman of Guoyuanshidai Coal Asset Management Company Limited and Chairman of Zhongtian Synergetic Energy Company Limited. Mr. Peng graduated in July 1984 from the Construction Engineering Department of Wuhan Construction Material Industry Institute (currently known as Wuhan University of Technology), obtained a Master's Degree in Business Administration (MBA) from Wuhan University in June 1999 and obtained a Doctor's Degree in economics from Wuhan University of Technology in 2011. Mr. Peng is also a Senior Engineer, a Senior Accountant and a Senior Professional Manager in the coal industry, and is entitled to special government allowance granted by the State Council. Mr. Peng was the Head of the Design Department of Central-South Architectural Design Institute, the Deputy Principal of Central-South Architectural Design Institute, Shenzhen Branch, Head of the Finance Department of Central-South Architectural Design Institute, Deputy General Manager, Chief Economist and Finance Manager of Wuhan Kaidi Electric Power Company Limited, Chairman of the Board of Wuhan Gelin Tiandi Environmental Protection Enterprises Group Company Limited, Chairman of the Board of Wuhan Kaidi Lantian Technology Company Limited, Executive Director, Executive Vice President and Chief Financial Officer of the First Session of the Board of the Company, Vice Chairman of the Second Session of the Board of the Company, the Vice General Manager and the Chief Accountant of China Coal Group. Mr. Peng has extensive experience in corporate management, capital operation and financial management.

3. **Liu Zhiyong**, aged 59, is a Non-executive Director of the Third Session of the Board of the Company, and currently serves as a professional External Director of a central enterprise, the professional External Director of China Coal Group, and a Non-executive Director of CRRC Corporation Limited. Mr. Liu graduated from Nanjing Political College majoring in political economy and obtained a Bachelor's Degree in economics in July 1988. He served as the Deputy Division Director, Division Director and Deputy Director General of the Third Secretary Bureau of the General Office of the State Council, Deputy Party Secretary of Liuzhou Municipal Government of Guangxi (secondment for 2 years), Administrative Commissioner and Deputy Director General of the Third Secretary Bureau of the General Office of the State Council, Inspector and Deputy Director General of the First Secretary Bureau of the General Office of the State Council (responsible for general affairs), and Executive Deputy Secretary of the Party Committee of the General Office of the State Council. Mr. Liu is familiar with the macroeconomic policies, the organisational and human resources and other affairs in the PRC.

4. **Xiang Xujia**, aged 47, is a Non-executive Director of the Third Session of the Board of the Company, and he currently serves as a Non-executive Director of Shougang Fushan Resources Group Limited, the Managing Partner of Guangdong Weimo Law Firm, and an Independent Director of Youngy Co., Ltd. and Guangzhou KDT Machinery Co., Ltd. Mr. Xiang graduated from Zhejiang University majoring in information science and electronic engineering, and obtained a Bachelor's Degree of engineering in July 1991. He obtained a Master's Degree of laws from Southwest University of Political Science and Law in June 2001 majoring in economic law. Mr. Xiang is a qualified lawyer in the PRC and has been a practicing lawyer for over 7 years. He was a lawyer and legal partner of Grandall Law Firm (Shenzhen), a lawyer of DeHeng Law Offices in Beijing, a compliance head, Assistant to the General Manager, Secretary of the board, and General Manager of assets management centre of Sino Life Insurance Co., Ltd., the General Manager and Chairman of the board of Sino Life Asset Management Co., Ltd., a Director of Fund Resources Investment Holding Group Company Limited, a Director of Sino-Life Asset Management (Hong Kong) Company Limited, the President of Shenzhen Fude Holding (Group) Limited and the President of Shenzhen Fude Financial Investment Holding Limited. He has extensive experience in securities and finance, corporate governance, risk management and investment etc.

5. **Zhang Ke**, aged 63, is an Independent Non-executive Director of the Third Session of the Board of the Company, and currently serves as the Chairman and Principal Partner of ShineWing Certified Public Accountants Company Limited, an Independent Director of Guiyang Longmaster Information & Technology Co., Ltd., and Net263 Ltd., an External Director of China National Salt Industry Corporation, a supervisor of China Minsheng Banking Corp., Ltd., Vice President of Chinese Institute of Certified Public Accountants and the Chief Supervisor of Beijing Association of Forensic Science. Mr. Zhang obtained a Bachelor's Degree in economics from the Industrial Economics Department of Renmin University of China in 1982. Mr. Zhang is a Chartered Certified Accountant with qualification in securities dealing and a Senior Accountant. Mr. Zhang served as the Department Manager of China International Economics Consultants Co., Ltd., Deputy Executive Officer of Zhongxin Accountants Firm, Deputy General Manager of Zhongxin Yongdao Accountants Firm, partner of Coopers & Lybrand International, General Manager of Zhongxin Yongdao Accountants Firm, Deputy Executive Director of Coopers & Lybrand (China). He was an Independent Non-executive Director of the Company from August 2006 to February 2013. Mr. Zhang has 30 years of experience in reviewing and analyzing financial statements of listed companies, and has extensive experience in dealing with internal and external auditors regarding the supervision of internal control and the auditing of financial statements.

6. **Zhao Pei**, aged 67, is an Independent Non-executive Director of the Third Session of the Board of the Company and currently the Vice President and Secretary General of the Chinese Society for Metals. Mr. Zhao served as the Executive Director and President of Advanced Technology & Materials Company Limited (AT&M), Chairman of Beijing Gang Yan Diamond Products Company Limited, Chairman of Heye Special Steel Company Limited, Director of Zhonglian Advanced Steel Technology Company Limited. He also served as a Professor and Deputy Dean at the University of Science & Technology Beijing, Division Director of the Science & Technology Department of the Ministry of Metallurgy, Deputy Chief Engineer and Chief of Engineering Centre of Central Iron & Steel Research Institute, Vice President of Central Iron & Steel Research Institute, Chairman of New Metallurgy Hightech Group Company Limited, Chairman of Beijing Iron & Steel Research New Metallurgy Engineering Design Company Limited. Mr. Zhao is a Doctor of Engineering, a Postdoctoral Fellow at the University of Leeds in UK, Professor and Doctorial Tutor, and is entitled to special government allowance granted by the State Council. Mr. Zhao is proficient in metallurgical technology and material science, and familiar with related enterprises and research institutions both in China and abroad, which allows him to gain full understanding of the technological development and market trend of the sector, and has given him extensive experience in the management and operation of large-scale high-tech enterprises and listed companies.

7. **Ngai Wai Fung**, aged 54, is an Independent Non-executive Director of the Third Session of the Board of the Company, the Managing Director of MNCOR Consulting Limited, as well as the Chief Executive Officer of SW Corporate Services Group Limited. He is currently an Independent Non-executive Director of China Railway Group Limited, BaWang International (Group) Holdings Limited, Bosideng International Holdings Limited, Powerlong Real Estate Holdings Limited, SITC International Holdings Company Limited, Biostime International Holdings Limited, Beijing Capital Juda Limited, Yangtze Optical Fibre and Cable Joint Stock Limited Company, BBMG Corporation, TravelSky Technology Limited and China HKBridge Holdings Limited (formerly known as "Topsearch International (Holdings) Limited"), Independent Director of LDK Solar Co. Ltd and SPI Energy Co., Ltd, and the visiting professor of Department of Law of Hong Kong Shue Yan University. Mr. Ngai has been appointed as the non-official member of the working group on professional services of Economic Development Committee by the Chief Executive of Hong Kong Special Administrative Region and has been appointed as a member of the Professional Qualification and Examination Council of the Hong Kong Institute of Certified Public Accountants. He is a member of the General Committee of the Chamber of Hong Kong Listed Companies and an expert consultant for accounting of the Ministry of Finance of China. He graduated from Shanghai

University of Finance and Economics, The Hong Kong Polytechnic University, Andrews University of Michigan, the United States and the University of Wolverhampton, the United Kingdom. He has obtained a Doctor's Degree in Finance, Master's Degree in Finance, an MBA Degree and a Bachelor's Degree in Laws (with Honours). Mr. Ngai is a fellow of the Association of Chartered Accountants in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Secretaries and Administrators in the United Kingdom, a fellow of the Hong Kong Institute of Chartered Secretaries, a fellow of the Hong Kong Institute of Directors and a member of the Hong Kong Securities and Investment Institute. Mr. Ngai has over 20 years of senior management experience as an executive director, chief financial officer and company secretary, most of which are in the areas of finance, accounting, internal control and regulatory compliance as well as corporate governance and company secretarial matters for listed issuers (including major red chips companies). Mr. Ngai has participated in or led a number of key financing projects, including listing, mergers and acquisitions, and issuance of bonds.

Supervisors

1. **Zhou Litao**, aged 56, is a Shareholder Representative Supervisor of the Third Session of the Supervisory Committee of the Company, and currently serve as the General Legal Counsel of China Coal Group, Executive Vice President of the Energy Law Academy of China Law Society, Chairman of Legal Issues Committee of China National Coal Association, a visiting professor of National Lawyers College, PRC and an arbitrator of China International Economic and Trade Arbitration Commission and Beijing Arbitration Commission. He graduated in 1983 from Hubei Institute of Finance (currently known as Zhongnan University of Economics and Law) with a major in law. He finished the management science and engineering course for Master postgraduate in the China University of Mining and Technology in September 2000, and obtained an Executive MBA Degree from HEC Business School Paris, France in December 2007. He obtained a doctorate diploma and a Doctor's Degree in Law from China University of Political Science and Law in June 2011. Mr. Zhou is a senior economist and a qualified corporate legal advisor. He served as General Manager of Legal Affairs Department of China National Coal Group Corporation and Supervisor of the First Session and the Second Session of the Supervisory Committee of the Company. Mr. Zhou is familiar with the PRC Civil Law, Commercial Law and International Commercial Principles, and has rich experience in corporate legal management.

2. **Zhao Rongzhe**, aged 51, is a Shareholder Representative Supervisor of the Third Session of the Supervisory Committee of the Company, and currently serves as the Chief Accountant in China Coal Group, the director of China Credit Trust Co., Ltd., the supervisor of Jiang Tai Insurance Broker Co., Ltd., the director of WinnerKey Investment Co., Ltd., the Chairman and General Manager of China Coal Finance Co., Ltd., the director of SDIC Coal Co., Ltd. the Chairman of the supervisory committee of Shanghai China Coal Building Co., Ltd., and the Vice President of the Coal Branch of the Accounting Society of China. Mr. Zhao obtained a Bachelor's Degree in Economics from China University of Mining and Technology majoring in financial accounting in June 1989, and obtained an MBA Degree from the Open University of Hong Kong in June 2011. Mr. Zhao is a Senior Accountant. Mr. Zhao has successively served as Chief Staff Member of Finance and Labour Department of Ministry of Coal Industry, Deputy Director of Finance Division in China National Coal Mining Equipment Company Limited, Deputy Director of Asset Finance Department in China Coal Industry Import and Export Group Corporation, Director of Asset Finance Department and General Manager of Financial Management Department in China Coal Group, and Deputy Chief Accountant and General Manager of Financial Management Department in China Coal Group. Mr. Zhao has more than 20 years of experience in financial management, and has extensive experience in accounting assessment, assets management and financial management.

3. **Zhang Shaoping**, aged 52, is the Employee Representative Supervisor of the Third Session of the Supervisory Committee of the Company and the Executive Director and General Manager of China National Coal Development Company Limited. He graduated from Hebei Institute of Coal Mining and Civil Engineering majoring in industrial and civil construction in July 1986, and obtained a Bachelor's Degree in engineering. He is a Senior Engineer and Senior Professional Manager of the coal industry. He served as a staff of Beijing Coal Planning and Design General Institute, staff and Chief Staff Member of China Unified Distribution Coal Mine Corporation, Chief Staff Member and Assistant Researcher of Policy and Regulation Department of the Ministry of Coal Industry, Deputy Director of the Office of China National Coal Sales and Transportation Corporation, Deputy Director and Director of the Party Committee Office and Director of Party Committee Work Department of China National Coal Industry Import and Export Group Corporation, Director of Party Committee Work Department of China Coal Group, the Secretary of the Party Committee and Deputy General Manager of China National Coal Development Company Limited, and the Employee Representative Supervisor of the Second Session of the Supervisory Committee of the Company. Mr. Zhang has worked in the coal industry for an extensive period and has extensive understanding of the coal industry and rich experience in business management.

Senior Management

1. **Qi Hegang**, aged 57, is the Vice President of the Company and fills the role of acting President, and currently serves as the Expert Director of Guoyuanshidai Coal Asset Management Company Limited, Deputy Director of the Mining Committee of Coal Miners of Coal Industry Technology Committee and an adjunct professor of China University of Mining and Technology. He graduated from Shanghai Datun Intermediate Specialised Institute majoring in mining engineering, and obtained a Master's Degree in Engineering and an Executive Master degree in Business Administration from China University of Mining and Technology and the School of Economics and Management of Tsinghua University respectively. He is also a Professoriate Senior Engineer and a Senior Professional Manager in the coal industry. He served as the Head of Mine Design Division, Vice Chief Engineer, Deputy Head, and Head for the Yaoqiao Mine of Datun Coal and Electricity (Group) Company Limited, the Chief Engineer of Datun Coal and Electricity (Group) Company Limited and a Director of Shanghai Energy Company. Mr. Qi has been involved in the production, technology and management of coal mining work for an extensive period and has developed extensive knowledge of the coal industry. He has over 30 years of operational and managerial experience in the industry.

2. **Pu Jin**, aged 56, is the Vice President of the Company. He is currently also an Executive Director of China National Coal Mining Equipment Company Limited, Vice President of China National Coal Machinery Industry Association, Executive Director of China Coal Society, Deputy Director of Machinery and Electrical Experts Committee of Coal Industry Technology Committee and Deputy Director of National Coal Industry "653" Expert Steering Committee. He graduated from China University of Mining and Technology in 1998 with a Master's Degree in engineering, and he obtained a Doctoral Degree in Management from the School of Management Science and Engineering of Tongji University in 2003. He is a Professoriate Senior Engineer, a National Senior Professional Manager and a Senior Professional Manager in the coal industry, and he is entitled to special government allowance granted by the State Council. He served as Assistant to the General Manager and Deputy General Manager of Automatic Engineering Division and Overseas Operations Division of China National General Machinery Corp. under the Ministry of Machinery Industry, General Manager of China Coal Shenzhen Company, General Manager of China Coal Southern Energy Resources Company Limited and Chairman of China National Coal Mining Equipment Group Corporation and other positions. Mr. Pu has extensive experience in enterprise management as well as solid theoretical expertise in coal mining machinery.

Directors, Supervisors, Senior Management and Employees

3. **Chai Qiaolin**, aged 48, has been appointed as the Chief Financial Officer of the Company with effect from January 2017, while remaining as the Manager of Financial Department of the Company. Mr. Chai currently serves as a Director of Shanxi China Coal Huajin Company, Huajin Coking Coal Company Limited and China Coal Finance Co., Ltd., a Director and the Chief Financial Officer of Gansu China Coal Tianda Energy Company Limited, the Chairman of the Board of Sunfield Resources Pty. Limited, as well as a Supervisor of Shaanxi Company, Ordos Energy Chemical Company and Guotou China Coal Tongmei Jingtang Port Company Limited. Mr. Chai graduated in July 1991 from Beijing Institute of Economics majoring in public finance. Mr. Chai has been qualified as a Senior Accountant. Mr. Chai previously served in China Coal Overseas Development Co., Ltd., China National Coal Industry Import & Export Corporation as well as China National Coal Industry Import and Export Group Corporation, undertaking financial management affairs. Mr Chai previously served as the Deputy General Manager in the Financial Management Department of China Coal Group and the Deputy Manager of the Financial Department of the Company. Mr. Chai has over 25 years of extensive experience in financial work in state-owned enterprises as well as over 10 years of experience in capital operation and financial management in listed companies.

4. **Zhou Dongzhou**, aged 58, is the Secretary to the Board and the Company Secretary of the Company. He graduated from China Mining College (currently known as China University of Mining and Technology) in July 1982 majoring in English where he also obtained a Master's Degree of Engineering in May 1997. He is an Associate Professor of Translation and a Senior Professional Manager in the coal industry. He served at China University of Mining and Technology, the Science and Education Department of the Ministry of Coal Industry, and served as Secretary of the General Office of the Ministry of Coal Industry and the General Office of State Administration of Coal Industry, Manager of the Market Development Department and Deputy Head of the Coal Trading Division of China Coal Group, Deputy General Manager of China Coal Import and Export Company and Joint Company Secretary of the Company.

Directors, Supervisors, Senior Management and Employees

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. The remuneration and the decision-making procedures for the remuneration of Directors, Supervisors and Senior Management

Remuneration for Directors and Supervisors is subject to the approval by the Shareholders' general meeting, while the remuneration for senior management is subject to the approval by the Board. For the year of 2016, the total remuneration for Directors, Supervisors and senior management of the Company was RMB5.1653 million (tax inclusive).

2. Basis for determining the remuneration of directors, supervisors and senior management

As approved by the Shareholders' general meeting of the Company, the basis for determining the remuneration of Directors of the third session of the Board and the Supervisors of the third session of Supervisory Committee of the Company is as follows: independent non-executive Directors would receive remunerations from the Company, while the Company pays RMB300,000 to each independent non-executive Director (before tax, on a monthly basis, individual income tax withheld and withheld tax paid, remunerations of independent non-executive Directors would be determined according to actual period in office). Directors who are also senior management of the Company would receive remunerations according to "Management Method of the Remunerations for Senior Executives of the Company". Other than the above Directors, other Directors would not receive remuneration from the Company. Supervisors receive remunerations from the companies where they work. Travel expenses for Directors and Supervisors attending the Board meeting, the Supervisory Committee meeting, Shareholders' general meeting, and relevant activities held by the Board, the Supervisory Committee would be borne by the Company. Remunerations of senior management are paid in accordance with "Measures for Remunerations of Senior Management of the Company".

Save for independent non-executive Directors, the remunerations of other Directors, Supervisors and senior management who receive remunerations from the Company include basic salaries, bonuses, five insurances and one fund and corporate annuity paid by the Company.

Directors, Supervisors, Senior Management and Employees

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position Held	Changes	Reasons of Change
Niu Jianhua	Vice President	Resignation	Job rotation
Weng Qing'an	Chief Financial Officer	Resignation	Reaching statutory retirement age
Gao Jianjun	Executive Director and President	Resignation	Personal reasons
Zhao Rongzhe	Shareholder Representative Supervisor	Resignation (performing duties until a new Supervisor takes office)	Job rotation

V. EMPLOYEES OF THE COMPANY AND MAJOR SUBSIDIARIES

	Number of persons
Number of current employees in the Parent Company	426
Number of current employees in major subsidiaries *(Note)*	28,726
Total number of current employees	47,113
Number of staff who have resigned or retired, for whom the Parent Company and major subsidiaries are required to bear the relevant costs	0

Professional composition

Professional composition by type	**Number of persons of professional composition**
Production Staff	30,151
Sales Staff	965
Technical Staff	8,887
Financial Staff	780
Administrative Staff	3,321
Other Staff	3,009
Total	47,113

Education Level

Education level by type	**Number of persons**
Postgraduate or above	1,086
Undergraduate	10,278
Technical College	10,577
Below College	25,172
Total	47,113

Note: Major subsidiaries include Pingshuo Company, Shanghai Energy Company and China Coal Huajin Company.

VI. REMUNERATION POLICY

In terms of the strategy in relation to employees remuneration, the Company upheld the basic principle of "salary rises as benefits rise, compensation drops as benefits drop" and proactively constructed a dynamic allocation system linking salaries to corporate earnings, job value and individual performance. The Company further strengthened the reform of internal income distribution, strictly implemented performance-oriented principle of distribution, broadened the boundary of salary control and strictly controlled total labour costs in order to enhance management efficiency.

VII. TRAINING SCHEME

In 2016, based on the idea of "big training", the Company focused on strengthening the ideological education for its front-line staff and management staff. 463 management staff participated in the face-to-face training, while 2,000 employees including the management team members of the secondary enterprises, department heads from the headquarters and middle-level cadres of the enterprises participated in the online courses. The production safety training was continuously strengthened and staff appraisal work was constantly innovated and improved, which provided a suitable career development access for its employees, and guided all of its employees to achieve joint development with the Company.

VIII. OUTSOURCING

Total number of outsourced working hours (hours)	35,218,000
Total amount of remuneration paid for outsourcing (RMB: one thousand)	107,363

Directors' Report

Dear Shareholders,

The board of directors (the "**Board**") of China Coal Energy Company Limited is pleased to present the directors' report of the Company and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2016 prepared in accordance with the IFRS.

I. PRINCIPAL OPERATIONS

The Group is principally engaged in coal operations, coal chemical operations, coal mining equipment operations and other related operations in China. The coal operations of the Group include coal production, sales and trading. The coal chemical operations of the Group include the production and sales of coke, methanol, urea and other coal chemical products. The coal mining equipment operations of the Group include the design, research and development, manufacturing and sales of coal mining machinery and equipment and provision of after-sales services. Other operations of the Group include the production and sales of electricity and primary aluminium. Details of the principal business of the Group's principal subsidiaries are set out in the financial statements.

Further discussions on operations as required under Schedule 5 of Companies Ordinance are set out in "Chairman's Statement", "Management Discussion and Analysis of Financial Conditions and Operating Results" and "Business Performance" of this annual report. These discussions form part of this Directors' report.

II. OPERATING RESULTS

The financial and operating results of the Group for the year ended 31 December 2016 are set out in the section headed "Management Discussion and Analysis of Financial Conditions and Operating Results".

III. DIVIDENDS

On 22 March 2017, pursuant to the relevant PRC laws and regulations, the Board recommended the payment of cash dividends of RMB514,531,500 to the Shareholders, representing 30% of the net profit attributable to the equity holders of the Company as at 31 December 2016, which was RMB1,715,105,000 as set out in the consolidated financial statements prepared in accordance with IFRS. The proposed dividend distribution will be made based on the Company's entire issued share capital of 13,258,663,400 shares, representing a dividend of RMB0.039 per share (inclusive of tax). The above proposed profit distribution plan is subject to the approval of Shareholders at the 2016 annual general meeting. Cash dividends will be distributed to all Shareholders registered at the relevant record date upon approval.

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

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

An announcement containing information in relation to the latest registration date and the period of closure of share register for attending the 2016 annual general meeting of the Company to be held in 2017 and for receiving the final dividend for the year ended 31 December 2016, as well as the dividend distribution date will be published separately when the date of the 2016 annual general meeting of the Company is fixed.

Under relevant regulations of China Securities Depository and Clearing Corporation Limited Shanghai Branch and in line with the market practice regarding dividend distribution for A Shares, the Company will publish a separate announcement in respect of its dividend distribution to holders of A Shares after the Company's annual general meeting for 2016, which, among other things, will set out the record date and ex-rights date of dividend distribution for A Shares.

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

IV. SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, to the knowledge of the Directors, Supervisors and chief executive of the Company and as recorded in the register of interests required to be maintained pursuant to section 336 of the Securities and Futures Ordinance, the interests or short positions of the following persons (excluding Directors, Supervisors and chief executive) in the Company's shares or underlying shares were as follows:

Name of shareholders	Number of shares	Class of shares	Nature of interest	Capacity	Percentage of the respective class of the total shares in issue (%)	Percentage of the total shares in issue (%)
China National Coal Group Corporation	7,605,207,608	A Shares	N/A	Beneficial owner	83.10	57.36
Funde Sino Life Insurance Co., Ltd.	2,012,858,147	H Shares	Long position	Interest of controlled corporation by substantial shareholders	49.01	15.18

Note: The information disclosed is based on the information provided on the HKSE Website (www.hkex.com.hk).

Save as disclosed above, as at 31 December 2016, to the knowledge of the Directors, Supervisors and chief executive of the Company and as recorded in the register of interests required to be maintained pursuant to section 336 of the Securities and Futures Ordinance, there were no other persons who were interested or held short positions in the Company's shares or underlying shares.

Directors' Report

V. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2016, none of the Directors, Supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as required to be recorded in the register of interests to be kept by the Company under Section 352 of the Securities and Futures Ordinance, or which are required to be notified to the Company and HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

As at 31 December 2016, the Company had not granted any right to any Director, Supervisor or chief executive of the Company or their spouses or children under 18 years of age to acquire shares or debentures of the Company or any of its associated corporations, nor did any of the above-mentioned individuals exercise any such rights to acquire the aforesaid shares or debentures.

As at 31 December 2016, save as Mr. Li Yanjiang, Mr. Peng Yi, Mr. Liu Zhiyong and Mr. Xiang Xujia, there is no other Director is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

VI. PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, as at the date of this report, the Company had maintained the prescribed public float under the Hong Kong Listing Rules.

VII. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors entered into a service contract with the Company on 16 June 2015. Pursuant to the terms of the service contract, each of the Directors and Supervisors agrees to perform his duties as the Director or Supervisor. The term of service of Directors is three years from the date of appointment. The term of service of Supervisors is three years from the date of appointment.

None of the Directors or Supervisors has entered into a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

VII. DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Apart from the service contracts, for the year ended 31 December 2016, none of the Directors or Supervisors or their related entities is materially interested, whether directly or indirectly, in any contracts of significance to which the Company, or any of its holding companies, or any of its subsidiaries or fellow subsidiaries of the holding company is a party.

XI. REMUNERATION OF DIRECTORS AND SUPERVISORS

The details of the remuneration of Directors and Supervisors for the year ended 31 December 2016 are set out in the notes to the consolidated financial statements and the section headed "Directors, Supervisors, Senior Management and Employees" of this report.

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

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

X. PURCHASE, SALE OR REPURCHASE OF LISTED SECURITIES OF THE COMPANY

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

XI. PROPERTY, PLANT AND EQUIPMENT

The details of the changes in the property, plant and equipment of the Company for the year ended 31 December 2016 are set out in the notes to the audited financial statements for the year.

XII. DONATION

For the year ended 31 December 2016, the Company donated a total of RMB396,000 for charity and other donation purposes.

XIII. SUBSIDIARIES AND ASSOCIATES

The details of subsidiaries and associates of the Company as at 31 December 2016 are set out in the notes to the audited financial statements for the year.

XIV. PRE-EMPTIVE RIGHTS AND SHARE OPTION ARRANGEMENT

There are no provisions for pre-emptive rights under the relevant laws of the PRC which would entitle the Shareholders to subscribe for shares on a pro rata basis. Currently, the Company does not have any share option arrangement.

XV. MAJOR SUPPLIERS AND CUSTOMERS

The Group's major suppliers mainly provide the Group with raw materials such as trading coal and diesel oil. The major customers of the Group mainly include domestic electric power enterprises, iron and steel enterprises, coal production enterprises and chemical product manufacturing enterprises. During the year ended 31 December 2016, total values (not of a capital nature) of the contracts entered into between the Group and its top five suppliers accounted for less than 30% of the total values of the goods purchased. Total revenues from the top five customers of the Group also accounted for less than 30% of total revenue of the Group during the year ended 31 December 2016.

XVI. MATERIAL CONTRACTS

Save as disclosed in the section headed "Connected Transactions" in this report, none of the Company or any of its subsidiaries entered into any material contracts with the controlling Shareholder or any of its subsidiaries other than the Group, nor was there any material contract in relation to the provision of services to the Company or any of its subsidiaries by the controlling shareholder or any of its subsidiaries other than the Group.

XVII. CONNECTED TRANSACTIONS

The followings are the main connected transactions of the Group during the year of 2016:

(1) Continuing Connected Transactions

As a result of listing after restructuring and reform, there are connected transactions between the Group and China Coal Group. The daily continuing connected transactions between the Group and China Coal Group are conducted in the ordinary and normal course of business of the Company, and such transactions can prevent potential competition between coal products of the Group and those of China Coal Group, and enable the Group to secure products and services, such as coal products, integrated materials, engineering design and construction, land and property leasing from China Coal Group at market price through the ordinary course of business of the Group. Such transactions facilitate expansion of the Group's scale of operation, reduce uncertainty of transactions, lower transaction costs, prevent unnecessary disruptions to operations and avoid migration costs. The Group has entered into certain connected transaction agreements with China Coal Group. Meanwhile, there are also connected transactions between the Company and Shanxi Coking Coal Group, the substantial shareholder of China Coal Huajin Company, which is a significant subsidiary of the Company. Such transactions facilitate the Company in obtaining stable coal product supply, coal mine construction and related service at a market price from Shanxi Coking Coal Group. The transactions under these agreements constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The terms of the relevant connected transaction agreements, the annual caps for and the actual amount incurred in 2016 are as follows:

1. Coal Supply Framework Agreement

On 23 October 2014, the Company renewed the Coal Supply Framework Agreement with China Coal Group. The agreement is valid from 1 January 2015 until 31 December 2017, and is renewable upon expiry. Pursuant to the agreement, China Coal Group has agreed to exclusively supply the coal products produced from the mines owned by China Coal Group and its subsidiaries (excluding the Group) to the Group, and has undertaken not to sell any such coal products to any third party excluding the Group and the institutions designated by the Group. The Group is entitled to purchase coal products produced by third parties once the quantity or quality of coal products provided by China Coal Group and its subsidiaries (excluding the Group) cannot satisfy the requirements of the Group. The details are set out in the announcement of the Company dated 23 October 2014.

Pricing principles: at market price. Market price shall be determined with reference to the Bohai-Rim Steam-Coal Price Index, and taking into account of the quality of the coal and different types of delivery.

The annual cap of coal purchase expenditure for 2016 payable by the Company to China Coal Group in respect of the supply of coal products produced at the coal mines under restructuring by China Coal Group to the Company for the year ended 31 December 2016 was RMB4.040 billion. The actual expenditure incurred was RMB3.667 billion.

2. *Integrated Materials and Services Mutual Provision Framework Agreement*

On 23 October 2014, the Company renewed the Integrated Materials and Services Mutual Provision Framework Agreement with China Coal Group. The agreement is valid from 1 January 2015 until 31 December 2017, and is renewable upon expiry. Pursuant to the agreement, (1) China Coal Group and its subsidiaries (excluding the Group) shall supply the Group (i) production materials and ancillary services, including raw materials, ancillary materials, transportation, loading and uploading services, electricity and heat supplies, equipment maintenance and leasing, labour contracting and others; and (ii) social and support services including staff training, medical services and emergence rescues, communication, property management services and others; and (2) the Group shall supply China Coal Group and its subsidiaries (excluding the Group) (i) production materials and ancillary services, among others, including coal, coal mining facilities, raw materials, auxiliary materials, electricity and heat supplies, transportation, loading and uploading services, equipment maintenance and leasing, labour contracting and others; and (ii) exclusive coal export-related services including organising product supplies, performing coal blending, coordinating logistics and transportation, provision of port related services, arranging for inspection and quality verification and providing services relating to product delivery. The details are set out in the announcement of the Company dated 23 October 2014.

Pricing principles shall be in the following order: as for the bulk equipment and raw materials, the price will be arrived by bidding process in principle; where no bidding process is involved, the price shall be in accordance with the relevant market price; and where comparable market price rate is unavailable, agreed price shall be adopted. Agreed price is determined with reference to reasonable costs plus a reasonable profit margin.

For the year ended 31 December 2016, (1) the annual cap of the expenses paid by the Company for raw materials and ancillary services and social and support services provided by China Coal Group and its subsidiaries (excluding the Group) for 2016 was RMB4.206 billion and the actual expenditure incurred was RMB2.705 billion; (2) the annual cap of the revenue from the provision of raw materials and ancillary services and coal export-related services to China Coal Group and its subsidiaries (excluding the Group) for 2016 was RMB710 million and the actual revenue was RMB706 million.

3. *Project Design, Construction and General Contracting Services Framework Agreement*

On 23 October 2014, the Company entered into the Project Design, Construction and General Contracting Services Framework Agreement with China Coal Group. The agreement is valid from 1 January 2015 to 31 December 2017 and is renewable upon expiry. Pursuant to the agreement, China Coal Group and its subsidiaries (excluding the Group) shall provide project design, construction and general contracting services to the Group, and take up projects subcontracted by the Group. The details are set out in the announcement of the Company dated 23 October 2014.

Pricing principles: the service provider and the price of project design, construction and general contracting services shall be determined through a bidding process in principle and in compliance with applicable laws, regulations and rules. China Coal Group and its subsidiaries (excluding the Group) shall bid by stringently following the steps and/or measurements as stipulated by the Invitation and Submission of Bids Law of the PRC and the specific requirements in bidding invitation documents made by the Group.

For the year ended 31 December 2016, the annual cap of the expenses paid by the Company for project design, construction and general contracting services provided by China Coal Group and its subsidiaries (excluding the Group) for 2016 was RMB7.650 billion and the actual expenditure incurred was RMB2.309 billion.

4. *Property Leasing Framework Agreement*

On 23 October 2014, the Company entered into Property Leasing Framework Agreement with China Coal Group for a term of 10 years commencing from 1 January 2015, and is renewable upon expiry. The Property Leasing Framework Agreement entered with China Coal Group on 5 September 2006 has been terminated correspondingly. Pursuant to the agreement, China Coal Group and its subsidiaries (excluding the Group) have agreed to lease certain properties in the PRC to the Group for the general operation and ancillary purpose. The properties leased include 360 properties amounting to a total floor area of approximately 317,298.01 square metres and most of which are for production and operation usage. Details are set out in the announcement of the Company dated 23 October 2014.

Pricing principles: (i) the rentals are subject to review and adjustments every three years during the term of the Property Leasing Framework Agreement by reference to the prevailing market rates. The adjusted rentals shall not exceed the prevailing market rates as confirmed by an independent property valuer; (ii) any downward adjustment in rentals for such properties leased to the Group may be made at any time during the term of the Property Leasing Framework Agreement notwithstanding the normal three-year rental adjustment mechanism provided for thereunder as described above; and (iii) the rentals will be paid by cash each year and funded by the Group's internal resources.

The annual cap for 2016 in respect of property rentals paid by the Company to China Coal Group and its subsidiaries (excluding the Group) in respect of the structures and properties leased was RMB105 million. The actual rental incurred for the year ended 31 December 2016 was RMB87 million.

5. *Land Use Rights Leasing Framework Agreement*

The Company and China Coal Group entered into a Land Use Rights Leasing Framework Agreement on 5 September 2006 of a term of 20 years, which is renewable upon expiry. Pursuant to the agreement, China Coal Group and its subsidiaries (excluding the Group) have agreed to lease to the Group certain land use rights for general business and auxiliary facilities purposes. Such land use rights include 202 parcels of land amounting to an aggregate gross site area of approximately 5,788,739.77 square metres, most of which are used for production and operation. Details are set out in the announcement of the Company dated 5 September 2006, 21 October 2011 and 23 October 2014.

Pricing principles: (i) the rentals are subject to review and adjustments every three years during the term of the Land Use Rights Leasing Framework Agreement by reference to the prevailing market rates. The adjusted rentals shall not exceed the prevailing market rate as confirmed by an independent property valuer; (ii) any downward adjustment in rentals of such land use rights leased to the Group may be made at any time during the term of the Land Use Rights Leasing Framework Agreement notwithstanding the normal three year rental adjustment mechanism provided for thereunder as described above; and (iii) the rentals will be paid by cash annually and funded by the Group's internal resources.

The annual cap for 2016 in respect of the land use rights rental paid by the Company to China Coal Group and its subsidiaries (excluding the Group) was RMB61 million. The actual rental incurred for the year ended 31 December 2016 was RMB56 million.

6. *Financial Services Framework Agreement*

On 23 October 2014, Finance Company, a controlling subsidiary of the Company, entered into a Financial Services Framework Agreement with China Coal Group. The agreement is valid from 1 January 2015 until 31 December 2017, and is renewable upon expiry. Pursuant of to the agreement, Finance Company agrees to provide financial services such as deposit and loan services and financial leasing to China Coal Group and its subsidiaries (excluding the Group) and associates of China Coal Group. The details are set out in the announcement of the Company dated 23 October 2014.

Pricing principles: (i) the interest rate for deposits shall be negotiated on arm's length and by reference to the interest rates provided by normal commercial banks in the PRC for comparable deposits by both parties. The interest rate for deposits shall not be higher than the upper limit allowed by the PBOC for such type of deposits, or the interest rate provided by Finance Company to other clients for the same type of deposits, or the interest rate for the same type of deposits provided by normal commercial banks in China to China Coal Group and its subsidiaries (excluding the Group) and associates of China Coal Group, whichever is lower; (ii) the interest rates for loans shall be negotiated on arm's length and by reference to the interest rates charged by normal commercial banks in the PRC for comparable loans by both parties. The interest rate for loans shall not be lower than the lowest rates prescribed by the PBOC for such type of loans, or the interest rate charged by Finance Company to other clients for the same type of loans, or the interest rate for the same type of loans charged by normal commercial banks in China to China Coal Group and its subsidiaries (excluding the Group) and associates of China Coal Group, whichever is higher; and (iii) the fee standard for other financial services (excluding the deposits and loans) shall be determined according to the corresponding service fees fixed by the PBOC or the CBRC. If such fixed fee rates are not available, the service fees are negotiated on arm's length and by reference to the fees charged by normal commercial banks for comparable financial services. In any case, the fee standard shall not be lower than the fee standard adopted by normal commercial banks for comparable services.

The Company adjusted the annual caps for the Financial Services Framework Agreement according to the actual operating needs of the Company. The details are set out in the announcement published by the Company on 23 March 2016.

The maximum daily balance of loans and financial leasing (including accrued interests) for 2016 granted by Finance Company to China Coal Group and its subsidiaries (excluding the Group) and associates of China Coal Group was RMB4.000 billion. The actual daily balance incurred for the year ended 31 December 2016 were RMB2.023 billion; the annual cap for 2016 in respect of financial services fees charged by Finance Company for providing financial services to China Coal Group and its associates was RMB13 million, as for the year ended 31 December 2016, the actual fees charged was RMB0.1480 million.

7. *Coal and Coal Related Products and Services Supply Agreement*

On 23 October 2014, the Company entered into a Coal and Coal Related Products and Services Supply Agreement with Shanxi Coking Coal Group. The agreement is valid from 1 January 2015 until 31 December 2017, and is renewable upon expiry. Pursuant to the agreement, the Group has agreed to purchase the coal and coal related products and accept services from Shanxi Coking Coal Group, and Shanxi Coking Coal Group has agreed to purchase the coal and coal related products and accept services from the Group. The details are set out in the announcement of the Company dated 23 October 2014.

Pricing principles: (i) as for the infrastructural project and procurement of coal mining facilities, the price shall be arrived by bidding process; and (ii) as for the supply of coal, the price shall be in accordance with the relevant market price. Market price shall be determined with reference to the Bohai-Rim Steam-Coal Price Index, and taking into account the quality of the coal and different types of delivery.

The Company adjusted the annual caps for the Coal and Coal Related Products and Services Supply Agreement according to the actual operating needs of the Company. The details are set out in the announcement published by the Company on 23 March 2016.

The annual cap for 2016 in respect of the coal and coal related products purchased and services received by the Company from Shanxi Coking Coal Group during the year ended 31 December 2016 was RMB520 million. The actual amount incurred was RMB17 million. The annual cap for 2016 in respect of the coal and coal related products purchased and services accepted by Shanxi Coking Coal Group from the Company was RMB610 million. The actual amount incurred was RMB449 million.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing

Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Hong Kong Listing Rules.

A copy of the auditor's letter has been provided by the Company to the HKSE. The letter stated that:

– the aforesaid continuing connected transactions have obtained approval from the Board;

– the pricing of the continuing connected transactions in relation to the provision of goods and services by the Group was determined, in all material respects, in accordance with pricing policy of the Group;

– the aforesaid continuing connected transactions were carried out, in all material respects, pursuant to relevant agreements regulating such transactions; and

– the aforesaid continuing connected transactions did not exceed their respective annual cap as disclosed in each of the announcements of the Company in respect of the transactions. All the independent non-executive Directors have reviewed the above continuing connected transactions and have confirmed that the transactions are:

    1. in the Company's ordinary course of business;

    2. on normal or more favourable commercial terms; and

    3. in accordance with the relevant agreements governing them and on terms that are fair and reasonable and in the interests of Shareholders of the Company as a whole.

The Company has confirmed that the specific agreements under the continuing connected transactions for the year ended 31 December 2016 mentioned above were entered into and executed in accordance with the pricing principles pertaining thereto.

(2) Non-continuing Connected Transactions

On 27 April 2016, Shanghai Energy Company, a controlling subsidiary of the Company, entered into the Equity Transfer Agreement with Datun Coal and Electricity (Group) Company Limited, a wholly-owned subsidiary of China Coal Group, for the transfer of 100% equity interest in Xuzhou Sifang Aluminum Energy Co., Ltd. held to Datun Coal and Electricity (Group) Company Limited. Pursuant to the Equity Transfer Agreement, RMB1 shall be paid by Datun Coal and Electricity (Group) Company Limited to Shanghai Energy Company as the consideration of the equity transfer. As at 30 June 2016, the said consideration has been fully paid.

On 27 April 2016, Equipment Company, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Beijing Chinacoal Equipment Co., Ltd., a wholly-owned subsidiary of China Coal Group, for the transfer of 100% equity interest in Chinacoal Handan Coal Mining Equipment Co., Ltd. held to Beijing Chinacoal Equipment Co., Ltd. Pursuant to the Equity Transfer Agreement, RMB1 shall be paid by Beijing Chinacoal Equipment Co., Ltd. to Equipment Company as the consideration of the equity transfer. As at 30 June 2016, the said consideration has been fully paid.

On 27 April 2016, China Coal and Coke Holdings Limited, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Import and Export Company, a wholly-owned subsidiary of China Coal Group, for the transfer of 91% equity interest in Chinacoal Jiuxin Company held to Import and Export Company. Pursuant to the Equity Transfer Agreement, RMB1 shall be paid by Import and Export Company to China Coal and Coke Holdings Limited as the consideration of the equity transfer. As at 30 June 2016, the said consideration has been fully paid.

On 27 April 2016, China Coal and Coke Holdings Limited, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Import and Export Company, a wholly-owned subsidiary of China Coal Group, for the transfer of 100% equity interest in Lingshi Chemical Company held to Import and Export Company. Pursuant to the Equity Transfer Agreement, RMB194.8424 million shall be paid by Import and Export Company to China Coal and Coke Holdings Limited as the consideration of the equity transfer. As at 30 June 2016, the said consideration has been fully paid.

On 26 December 2016, Shanghai Energy Company, a controlling subsidiary of the Company, entered into the Asset Transfer Agreement with Datun Coal and Electricity (Group) Company Limited, a wholly-owned subsidiary of China Coal Group, for the transfer of relevant assets and liabilities of Longdong Coal Mine of Shanghai Energy Company held to Datun Coal and Electricity (Group) Company Limited. Pursuant to the Asset Transfer Agreement, Datun Coal and Electricity (Group) Company Limited shall pay the consideration for the assets transfer of RMB236.5800 million by two installments, of which RMB202.9762 million shall be paid within five days after the Asset Transfer Agreement takes effect, and the balance of RMB33.6038 million shall be paid after the completion of the transfer formalities of the mining rights. As at 31 December 2016, the first installment of the consideration has been fully paid.

The above transactions are conducive to exerting the respective advantages of each of the Company and existing companies under China Coal Group as well as promoting the main business by the Company through concentrating its advantageous resources. For details, please refer to the relevant announcements published on the SSE Website, HKSE Website and the Company Website on 6 December 2015, 27 April 2016 and 26 December 2016 respectively.

A total gain of RMB929 million was generated from the above assets transfer during the reporting period.

Save as disclosed above, no related party transaction or continuing related party transaction set out in the notes to the financial statements falls under the definition of discloseable related transaction or continuing related transaction under the Hong Kong Listing Rules. As for the aforementioned connected transactions and continuing connected transactions, the Company has complied with the disclosure requirements set out in the Hong Kong Listing Rules from time to time.

XVIII. REDUCED HORIZONTAL COMPETITION

In May 2014, the Company received the Letter of Undertaking on Further Avoiding Horizontal Competition with China Coal Energy Company Limited from China Coal Group (the controlling shareholder of the Company), in which China Coal Group stated expressly that: "Within 7 years from the date of the Letter of Undertaking on Further Avoiding Horizontal Competition with China Coal Energy Company Limited, China Coal Group will inject its competing equity interests in Import and Export Company, Huayu Company and Heilongjiang Coal Chemical Group into China Coal Energy, subject to the procedures for meetings of the Board of Directors or Shareholders' general meetings of China Coal Energy fulfilled under applicable laws and regulations and the Articles of Association." The matter above was disclosed after consideration at the fourth meeting of the second session of the Board in 2014 held on 13 May 2014. China Coal Energy will arrange the fulfilment of the above undertaking with a high sense of responsibility to investors in compliance with relevant regulatory requirements.

For details, please refer to the Announcement on Fulfilment of Undertaking of the Company and Controlling Shareholder and the Announcement on Undertaking of China National Coal Group Corporation on Further Avoiding Horizontal Competition with China Coal Energy Company Limited respectively published on 14 February and 13 May 2014 on the SSE Website, HKSE Website and the Company Website.

XIX. ISSUES, DIFFICULTIES AND RISKS ARISING FROM THE OPERATION OF THE COMPANY AND RELEVANT STRATEGIES AND MEASURES

(1) Risks of Fluctuation in Macro Economy

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

(2) Risks of Fluctuation in Product Prices

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

(3) Risks of Safe Production

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

(4) Risks of Project Investment

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

(5) Risks of Environmental Protection

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

(6) Risks of Rising Costs

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

(7) Risks of Foreign Exchange

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

XX. SIGNIFICANT EVENTS

(1) Share Capital Structure

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

Unit: Share

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

(2) Distribution of Final Dividends for 2015

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

(3) Amendment to the Articles of Association

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

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

(4) Transaction of Assets

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

(5) Other Significant Events

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

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

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

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

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

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

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

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

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

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

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

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

XXI. MATERIAL LEGAL PROCEEDINGS

As at 31 December 2016, the Company was not involved in any material litigations or arbitrations, and to the best knowledge of the Company, there was no pending, threatened or ongoing material litigation or claim against the Company as at 31 December 2016.

XXII. AUDITORS

The Company has appointed PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian as its international and domestic auditor, respectively for the year ended 31 December 2016. The financial statements prepared by the Company in accordance with the International Financial Reporting Standards have been audited by PricewaterhouseCoopers.

The Company has not changed its auditors over the last three years.

XXIII. TAXATION

The Company, according to the resolution of general meeting of Shareholders, did not distribute dividends for the year 2015 and thus need not withhold and pay relevant taxes for foreign non-resident enterprises or resident individual Shareholders.

XXIV. RESERVES

Details of changes in the reserves of the Group during 2016 are set out in the consolidated financial statements and the consolidated statement of changes in equity respectively.

As at 31 December 2016, reserves available for distribution by the Company in accordance with the laws and regulations of the PRC were RMB19.451 billion.

XXV. PENSION AND OTHER STAFF COST

The details of pension and other staff costs of the Group are set out in the notes to the financial statements.

XXVI. FINANCIAL SUMMARY

The summary of the Group's financial information for the last five financial years was extracted from the audited financial statements. The summary does not form part of the audited financial statements.

XXVII. PERMITTED INDEMNITY PROVISION

The Company has renewed its liability insurance purchased for its Directors, Supervisors and senior management. For details, please refer to the Corporate Governance Report section in this report.

XXVIII. SUBSEQUENT EVENTS

There are no material subsequent events for the Group.

China Coal Energy Company Limited
Li Yanjiang
Chairman and executive director

Beijing, China
22 March 2017

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

Supervisory Committee's Report

During the reporting period, with a view to protecting the interests of the Company and its shareholders, all members of the Supervisory Committee of the Company discharged their powers, duties and obligations with the utmost conscientiousness and lawfully exercised their supervisory functions in accordance with relevant requirements of the Company Law of the People's Republic of China, the Articles of Association and the Rules of Procedures of the Supervisory Committee of the Company and in strict compliance with the requirements of the Rules of Procedures of the Supervisory Committee. The Supervisory Committee has conducted supervision over the major decision-making, financial reports, connected transactions of the Company and the duties performed by the Directors and senior management of the Company through organising and convening meetings of the Supervisory Committee, attending Shareholders' general meetings and Board meetings, thereby completing the work of the Supervisory Committee in a better way in 2016. The Supervisory Committee was awarded "Top 30 of Effective Supervisory Committee of Public Companies" jointly issued by China Association for Public Companies, Shanghai Stock Exchange and Shenzhen Stock Exchange.

I. DETAILS OF MEETINGS OF THE SUPERVISORY COMMITTEE

Session of meeting	**Date of meeting**	**Newspaper for information disclosure of the resolution**	**Date of information disclosure of the resolution**
First meeting for 2016 of the third session of the Supervisory Committee	22 March 2016	Shanghai Securities News, Securities Times	23 March 2016
Second meeting for 2016 of the third session of the Supervisory Committee	27 April 2016	China Securities Journal, Securities Daily	28 April 2016
Third meeting for 2016 of the third session of the Supervisory Committee	24 August 2016	China Securities Journal, Securities Daily	25 August 2016
Fourth meeting for 2016 of the third session of the Supervisory Committee	28 October 2016	China Securities Journal, Securities Daily	29 October 2016
Fifth meeting for 2016 of the third session of the Supervisory Committee	8 December 2016	China Securities Journal, Securities Daily	9 December 2016

During the reporting period, the Supervisory Committee convened five on-site meetings, at which all the resolutions in relation to the Company's 2015 annual report and its summary, and 2015 annual results announcement were considered and approved. The Supervisory Committee listened to two reports in relation to the work progress in 2015 and the work arrangement for 2016 regarding the Company's auditing work.

II. OPINIONS OF THE SUPERVISORY COMMITTEE IN RESPECT OF THE WORK OF THE COMPANY

Since 2016, due to the combination of various factors such as economic growth under the new normal, the supply-side structural reform, cutting overcapacity and reduced production, the coal price rebounded from its bottom low and gradually recovered. By capturing the chances arising from this backdrop, the Company stuck to a strategy-directed and market-oriented reform, further optimised resource allocation, continued to promote internal reorganisation and integration, enhanced management efficiency, and vigorously reduced cost and improved efficiency, turning losses into profits; strengthened the coordination between production and sales, maintained the smooth operation of chemical industry, striving to enlarge the operating results; strictly controlled capital expenditure, revitalised the existing funds, controlled debt size and actively collected trade receivables; strived to prevent and control various risks to ensure orderly and steady production and operation; held on to the safety bottom line, strengthened the fulfilment of safety responsibility, prevented and controlled safety accident so as to eliminate potential risks. The Supervisory Committee is satisfied with the Company's accomplishments.

III. INDEPENDENT OPINIONS GIVEN BY THE SUPERVISORY COMMITTEE IN RESPECT OF THE FOLLOWING ISSUES OF THE COMPANY IN 2016

(1) Operation of the Company in 2016 in Accordance with the Laws

During the reporting period, the Supervisory Committee supervised, examined and assessed the financial affairs of the Company and the duties performed by the Directors and senior management of the Company. The Supervisory Committee is of the opinion that the Company was able to operate in strict compliance with the laws and regulations of the PRC, and that the decision-making procedures were within the boundaries of laws. The Company's management conscientiously implemented the resolutions of Shareholders' general meetings and Board meetings, continued to improve its internal control system and strengthened its risk prevention capabilities. The Directors and senior management of the Company duly performed their duties and the Supervisory Committee has not discovered any acts in violation of the laws, regulations, the Articles of Association or acts that were detrimental to the benefits of the Company.

(2) Examination of the Financial Affairs of the Company

After carefully reviewing the quarterly financial reports, interim financial report and annual financial report and the proposed profit distribution plan and other matters of the Company, the Supervisory Committee considers that the auditor's report with standard unqualified opinions provided by PricewaterhouseCoopers Zhong Tian (PricewaterhouseCoopers) represented a true, objective and fair description of the financial conditions, operating results and cash flow of the Company without any false records, misleading statements or material omissions.

(3) Use of Proceeds

During the reporting period, the expended proceeds from A Share issuance amounted to RMB374 million while the accumulated expended proceeds amounted to RMB22.438 billion. The actual expenses incurred were consistent with those the Company undertook to fund the projects. Furthermore, as approved on the third meeting of the third session of the Board held on 24 August 2016, the Company was permitted to apply the idle proceeds of RMB3,300 million to replenish working capital temporarily. Consequently, the Company used idle proceeds of RMB2,769.70 million and interests of RMB495.3406 million to replenish working capital temporarily during 2016.

(4) Acquisition or Disposal of Assets by the Company

During the reporting period, Shanghai Energy Company, a subsidiary of the Company, transferred the 100% equity interest in Xuzhou Sifang Aluminum Energy Co., Ltd. and the whole assets and liabilities of Longdong Coal Mine held by it to Datun Coal and Electricity (Group) Company Limited; China National Coal Mining Equipment Company Limited transferred the 100% equity interest in Chinacoal Handan Coal Mining Equipment Co., Ltd. to Beijing Chinacoal Equipment Co., Ltd.; China Coal and Coke Holdings Limited transferred the 91% equity interest in China Coal Jiuxin Company to China Coal Import and Export Company and China Coal and Coke Holdings Limited transferred the 100% equity interest in Lingshi Chemical Company to China Coal Import and Export Company. The above transactions were conducted in accordance with the principles of market pricing, and the considerations of these transactions were fair and reasonable. The Supervisory Committee did not identify any insider dealing or any circumstances that were detrimental to the interests of Shareholders or resulted in a dissipation of assets of the Company.

(5) Connected Transactions

During the reporting period, the connected transactions of the Company were conducted by strictly adhering to the principles of equality, fairness, openness and complying with the requirements of relevant laws and regulations and the connected transactions management system, and its disclosure of information was standardised and transparent. The Supervisory Committee did not identify any acts that were detrimental to the benefits of the Company.

(6) Review of Assessment Report on Internal Control and Social Responsibility Report

The Supervisory Committee has duly reviewed the Report on Internal Control of the Company for 2016 and the Social Responsibility Report of the Company for 2016. The Supervisory Committee is of the opinion that the assessment report on internal control and the social responsibility report of the Company have given an objective and true picture of the conditions of the internal control and the performance of social responsibility of the Company. The Supervisory Committee has no dissenting opinion on the above-mentioned two reports.

(7) Implementation of Resolution of Shareholders' General Meetings

The Supervisory Committee has conducted supervision over the Board's implementation of the resolutions passed at the Shareholders' general meeting during the reporting period, and is of the opinion that the Board has been able to duly perform its duties, strengthen scientific decision-making as well as actively and consistently implement the relevant resolutions of the Shareholders' general meeting and hence has promoted the scientific and healthy development of the Company.

In 2017, the Supervisory Committee will continue to fulfill its duties faithfully and diligently in strict compliance with the Company Law, the Articles of Association of the Company and relevant provisions, and strive to fulfill its work with an aim to protect the interests of the Company and its Shareholders.

The Supervisory Committee of
China Coal Energy Company Limited
22 March 2017

Corporate Governance Report

During the reporting period, the Company continued to strive for standardised operations, improve the Company's corporate governance system, accelerate the development of its information systems, improve its comprehensive risk management system and internal control system as well as enhance management efficiency and corporate governance.

1. OVERVIEW OF CORPORATE GOVERNANCE

The Company has established a corporate governance structure comprising the Shareholders' general meeting, the Board, the Supervisory Committee and the management team in accordance with the provisions of relevant laws and regulations including the Company Law and the Securities Law, so as to establish a check-and-balance mechanism with clear delineation of rights and responsibilities and standardised operation among the executive, decision-making and supervisory bodies and the management team. The Company has formulated a series of rules and regulations such as "Articles of Associations", "Rules of Procedures of Shareholders' General Meetings" and "Rules of Procedures of the Board of Directors". During the reporting period, the Company made amendments to its regulatory framework including the Articles of Association in compliance with the latest requirements of laws and regulations, the listing rules and regulatory rules of the stock exchanges where the Company's shares are listed, making the corporate governance system more optimal. For details, please refer to the announcements published on the websites of SSE, HKSE and the Company on 21 June 2016. The corporate governance of the Company basically complies with the requirements of relevant regulations of the CSRC.

The Board has reviewed the documents regarding corporate governance adopted by the Company, and believes that such documents have met the relevant code provisions as set out under the "Corporate Governance Code" and the "Corporate Governance Report" set out in Appendix 14 of the Hong Kong Listing Rules. For the year ended 31 December 2016, the Company strictly complied with the aforementioned code provisions.

2. SUBSTANTIAL INTERESTS AND SHORT POSITIONS OF THE COMPANY HELD BY SUBSTANTIAL SHAREHOLDERS

Details are set out in the section headed "Shareholdings of Substantial Shareholders" under the Directors' Report in this report.

3. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 to the Hong Kong Listing Rules. Upon making specific enquiries, the Company confirmed that all Directors and Supervisors had complied with the Model Code throughout the year of 2016.

4. INTRODUCTION TO SHAREHOLDERS' GENERAL MEETING

In order to ensure that all Shareholders enjoy equal status and effectively exercise their own rights, the Company convenes Shareholders' general meetings every year in accordance with the Articles of Association. Pursuant to the Articles of Association, an extraordinary general meeting shall be convened within two months upon request in writing by Shareholders holding independently or jointly 10% or above of the outstanding shares of the Company conferring a right to vote. The relevant documents must state the objective of the meeting and be served to all Shareholders. The Shareholders may raise questions to the Board and may raise their opinions at the general meeting. The contact information of the Company is set out in the section headed "Company Profile" in this report.

Session of meeting	Date of meeting	Website for disclosure of the resolution	Date of disclosure of the resolution
2015 annual general meeting	21 June 2016	The website of the HKSE	21 June 2016
		The website of the Shanghai Stock Exchange	22 June 2016

Shareholders' General Meeting:

A total of ten resolutions were considered and approved by the Shareholders at the 2015 annual general meeting, including the directors' report for 2015 and the supervisory committee's report for 2015.

All the resolutions at the Shareholders' general meetings mentioned above were passed. The resolutions were disclosed on the website of the HKSE on 21 June 2016, and on the website of the Shanghai Stock Exchange on 22 June 2016.

5. PERFORMANCE OF DUTIES BY DIRECTORS

Under the Articles of Association, the Board has the following principal responsibilities: to decide the Company's operational plans and investment plans; to set up the Company's annual financial budgets and final accounts plans; to work out the Company's profit distribution plans and plans to offset losses; to decide the structure of the Company's internal management; to appoint or remove the Company's president, chief financial officer or the secretary to the Board and to appoint or remove the Company's vice president in accordance with the nomination of the president; and to discharge other functions assigned by a Shareholders' general meeting and the Articles of Association.

The Board is responsible for supervising the preparation of financial statements for every financial period to ensure that the financial statements give a true and fair view of the financial position, operating results and cash flow of the Company during the reporting period. When preparing the financial statements for the year ended 31 December 2016, the Board has selected applicable accounting policies, and made prudent, fair and reasonable judgement and estimations and prepared the financial statements on an ongoing basis. The statement of responsibilities of the international auditors is set out in the independent auditor's report of this report.

During the reporting period, all members of the Board actively participated in continuous professional training, including professional training sessions provided by the Company, which helped to keep them updated with the latest knowledge and techniques. It is ensured that all members can contribute to the Board in an appropriate and well-informed manner.

Apart from the working relationships in the Company, there was no financial, business or family relationship or other material relationship among the Directors, Supervisors and senior management of the Company.

(I) Attendance at Board Meeting and Shareholders' General Meeting

		Attendance at the Board meeting						
Name of director	Independent or not	Required attendance at Board meetings this year	Attendance in person	Attendance by telecommunication	Attendance by proxy	Absence	Absent at two meetings in a row	Attendance at Shareholders' general meeting
Li Yanjiang	No	5	4	0	1	0	No	1
Peng Yi	No	5	4	0	1	0	No	1
Liu Zhiyong	No	5	4	0	1	0	No	1
Gao Jianjun	No	5	4	0	1	0	No	1
Xiang Xujia	No	5	4	0	1	0	No	1
Zhang Ke	Yes	5	4	0	1	0	No	1
Zhao Pei	Yes	5	4	0	1	0	No	1
Ngai Wai Fung	Yes	5	4	0	1	0	No	1

During the reporting period, the attendance rate of each Director at Board meetings was 80%. The Company complied with all relevant code provisions in terms of the number of Board meetings held, procedures for convening Board meetings, minutes and records of Board meetings, rules of meetings and related matters. The attendance rate reflected that all Directors were diligent and responsible and were dedicated to promoting the interests of the Company and Shareholders as a whole.

During the reporting period, the attendance rate of each Director at Shareholders' general meetings was 100% and none of the Directors absent at two Board meetings in a row.

Number of Board meetings held during 2016	5
Including: Number of meetings held on-site	5
Number of meetings held by telecommunication	0
Number of meetings held on-site with telecommunication	0

In 2016, the Board convened a total of five meetings, at which all the resolutions were passed after consideration. Details of the meetings are as follows:

1. The first meeting for 2016 of the third session of the Board convened on 22 March 2016 considered and approved nineteen resolutions in relation to the annual report for 2015, Directors' report for 2015, financial report for 2015, proposed profit distribution plan for 2015, capital expenditure plans for 2016, financial plans for 2016, engagement of auditors to review interim financial report and audit annual report for 2016, special report for deposit and actual application of the proceeds from

the A share issuance by the Company for 2015, remunerations of the Directors and Supervisors for 2016, assessment report regarding internal control for 2015, social responsibility report for 2015, the general mandate to issue debt financing instruments, the amendments to the Articles of Association, the adjustments to the annual caps of connected transactions under the Financial Services Framework Agreement of the Company for 2016 – 2017, the adjustments to the caps of connected transactions under the Coal and Other Related Product Supplies Framework Agreement of the Company for 2016 – 2017, the amendments to the Work Manual of the Audit Committee of the Board of the Company, the proposal in respect of futures of thermal coal for 2016, and the proposal in respect of renunciation of the right of first refusal of 49% equity interest in China Coal Huajin Company. The reports in regard to the work progress of capital expenditure plans for 2015 and the implementation of resolutions of the Board meetings for 2015 were also heard at the meeting.

2. The second meeting for 2016 of the third session of the Board convened on 27 April 2016 considered and approved nine resolutions in relation to the first quarterly report for 2016, the amendments to the Articles of Association and relevant systems of the Company, the comprehensive risk management report of the Company for 2016, operational results performance evaluation of senior management for 2016, the proposal in respect of the transfer of 100% equity interest in Xuzhou Sifang Aluminum Energy Co., Ltd. from Shanghai Energy Company to Datun Coal and Electricity (Group) Company Limited, the proposal in respect of the transfer of 100% equity interest in Chinacoal Handan Coal Mining Equipment Co., Ltd. from China National Coal Mining Equipment Company Limited to Beijing Chinacoal Equipment Co., Ltd., the proposal in respect of the transfer of 91% equity interest in China Coal Jiuxin Company from China Coal and Coke Holdings Limited to Import and Export Company, the proposal in respect of the transfer of 100% equity interest in Lingshi Chemical Company from China Coal and Coke Holdings Limited to Import and Export Company, and convening of 2015 annual general meeting of the Company. The three reports in regard to work progress in 2015 and work arrangement for 2016 of the auditing work; work progress in 2015 and work arrangement for 2016 of safety, health and environmental protection of the Company; and the proposal and arrangement for disposal of relevant assets by capitalising on relevant policies recently were also heard at the meeting.

3. The third meeting for 2016 of the third session of the Board convened on 24 August 2016 considered and approved four resolutions in relation to the interim report for 2016, the special report for deposit and actual application of the proceeds from the A share issuance in the first half of 2016, the temporary replenishment of liquidity with the proceeds raised by the Company, and the proposal for resignation of Niu Jianhua and Weng Qing'an. The two reports in regard to the work progress of capital expenditure for January to June 2016 and the work arrangement for the second half of 2016 and the implementation of resolutions of the Board of the Company for the first half of 2016 were also heard at the meeting.

4. The fourth meeting for 2016 of the third session of the Board convened on 28 October 2016 considered and approved one resolution in relation to the third quarterly report for 2016, and the two reports in regard to the risk management work of the Company for 2016 and the sediment project and the work of cutting overcapacity of the Company were also heard at the meeting.

5. The fifth meeting for 2016 of the third session of the Board convened on 8 December 2016 considered and approved two resolutions in relation to the transfer of entire assets and liabilities in Longdong Mine by Shanghai Energy Company to Datun Coal and Electricity (Group) Company Limited and the proposal for the payment of remuneration to senior management for 2015.

During the reporting period, the Company complied with all relevant code provisions in terms of the number of Board meetings held, procedures for convening Board meetings, minutes and records of Board meetings, rules of meetings and related matters. The attendance rate reflected that all Directors were diligent and responsible and were dedicated to promoting the interests of the Company and Shareholders as a whole.

No.	Name	Date	Methods
1	The first meeting of the third session of the Board in 2016	22 March 2016	On-site
2	The second meeting of the third session of the Board in 2016	27 April 2016	On-site
3	The third meeting of the third session of the Board in 2016	24 August 2016	On-site
4	The fourth meeting of the third session of the Board in 2016	28 October 2016	On-site
5	The fifth meeting of the third session of the Board in 2016	8 December 2016	On-site

(II) Performance of Duties by Independent Non-executive Directors

There are currently three independent non-executive Directors in the Board. The "Work System of Independent Directors" of the Company clearly defines the employment requirements, independence, nomination, election and replacement criteria, and the duties and obligations of independent Directors. In addition to the duties empowered by the Company Law, Hong Kong Listing Rules, SSE Listing Rules and other relevant laws and regulations such as reviewing material connected transactions, the Company also empowers the independent Directors with the duty to propose to appoint or remove accounting firms to the Board and other duties.

During the reporting period, the independent Directors strictly complied with all relevant laws and regulations including the Company Law, "Guidance on Establishing Independent Directors System in Listed Companies", "Provisions on Strengthening the Protection of the Rights and Interests of Public Shareholders" as well as the rules and requirements under the Articles of Association, the "Work System of Independent Directors" and the "Annual Report Work System of Independent Directors". Independent non-executive Directors performed their duties independently and attended relevant meetings in 2016, investigated thoroughly in the Company's subsidiaries, seriously took part in the decision-making of the Company's significant matters, expressed independent opinions on relevant matters of the Company, and provided constructive advice and recommendations regarding the corporate governance of the Company, reform development and production and operation. During the course of performance of duties, independent Directors upheld the legal rights of Shareholders, especially the minority Shareholders independently and objectively, fully exploiting the functions of independent Directors.

For the attendance of independent non-executive Directors at Board meetings and Shareholders' general meetings, please refer to the sections on the attendance at Board meetings and Shareholders' general meetings of the Company.

(III) Implementation of Resolutions Passed at the Shareholders' General Meetings by the Board in 2016:

No.	Shareholders' General Meeting	Subject Matter	Status
1	2015 annual general meeting	To approve the appointment of external auditors for 2016	PricewaterhouseCoopers Zhong Tian and PricewaterhouseCoopers were engaged as auditors for 2016 to provide review and audit services regarding the annual report in accordance with PRC GAAP and IFRS respectively
2	2015 annual general meeting	To grant the Company a general mandate to issue debt financing instruments	Pursuant to the mandate, the Company registered an amount of RMB10 billion of financing bonds during the reporting period, which is valid for two years commencing from the date on which the Notice of Registration Acceptance is signed. Short-term financing bonds of RMB3 billion were issued in 2016.

6. PERFORMANCE OF DUTIES OF THE COMMITTEES UNDER THE BOARD DURING THE REPORTING PERIOD

As at 31 December 2016, there are five specialised committees under the Board, details of which are set forth below:

Committee	Third Session Chairman	Members
Audit and risk management committee	Zhang Ke	Peng Yi, Xiang Xujia, Zhao Pei, Ngai Wai Fung
Strategic planning committee	Li Yanjiang	Gao Jianjun, Xiang Xujia, Zhao Pei
Remuneration committee	Ngai Wai Fung	Peng Yi, Zhang Ke
Nomination committee	Zhao Pei	Li Yanjiang, Zhang Ke
Safety, health and environmental protection committee	Gao Jianjun	Liu Zhiyong, Ngai Wai Fung

(I) Audit and Risk Management Committee

With the approval of the Shareholders' general meeting of 2016, the Board renamed the audit committee into the audit and risk management committee and revised the relevant work manual and increased the relevant work. In 2016, the audit and risk management committee under the Board comprised three independent non-executive Directors and two non-executive Directors. The "Work Manual of the Audit and Risk Management Committee of the Board" clearly defines the status, composition, terms of reference, decision-making procedures as well as rules of procedure of the audit and risk management committee. The audit and risk management committee is mainly responsible for supervising the truthfulness and completeness of the Company's financial statements, as well as the effectiveness of the Company's internal control and risk management system; engaging accounting firm and supervising its work; supervising and inspecting the financial management, risk management and internal control of the Company; reviewing the Company's annual and interim reports and profit announcements; preparing significant accounting policies and practices adopted by financial reports; and establishing a procedure for handling complaints regarding accounting and audit matters, potential illegal acts and doubtful accounting or audit matters. The responsibilities of the audit and risk management committee comply with the relevant requirements of the Hong Kong Listing Rules. The audit and risk management committee is accountable to the Board.

In 2016, the audit and risk management committee held a total of six meetings, at which the resolutions such as the Company's annual report, financial report and internal control report were considered, and the audit opinion of PricewaterhouseCoopers Zhong Tian on the Company's financial report for 2016 and the report on the sale of equity interests of the Company's subsidiaries to the relevant companies of the controlling shareholders were heard. All the resolutions were approved at respective meetings and all the members of the audit and risk management committee attended all the six meetings in person except for Zhang Ke (chairman) and Peng Yi (a member) on leave once respectively.

(II) Strategic Planning Committee

In 2016, the strategic planning committee under the Board comprised two executive Directors, one independent non-executive Director and one non-executive Director. The "Work Manual of the Strategic Planning Committee of the Board" clearly defines the status, composition, terms of reference, decision-making procedures as well as rules of procedure of the strategic planning committee. The strategic planning committee is mainly responsible for conducting studies regarding the Company's long-term development strategy, material investments, financing, capital operation plans, capital expenditure plans and providing recommendations to the Board, and is entitled to examine the implementation of the aforesaid matters. The responsibilities of the strategic planning committee comply with the relevant requirements of the Hong Kong Listing Rules. The strategic planning committee is accountable to the Board.

In 2016, the strategic planning committee held one meeting, at which the resolutions such as the 2015 annual report and 2016 budgeted capital expenditure were considered and all resolutions were approved, and the report on the performance of the capital expenditure budgeted for 2015 was heard. All the members of the strategic planning committee attended the meeting except for Li Yanjiang (chairman) on leave.

(III) Remuneration Committee

In 2016, the remuneration committee under the Board comprised two independent non-executive Directors and one non-executive Director. "Work Manual of the Remuneration Committee" clearly defines the status, composition, terms of reference, decision-making procedures as well as rules of procedure of the remuneration committee. The major responsibilities of the remuneration committee are to submit remuneration policies of the Directors and the senior management to the Board, to propose to the Board the remuneration of the Directors and the senior management, and assess the performance of the senior management. The responsibilities of the remuneration committee comply with the relevant requirements of the Hong Kong Listing Rules. The remuneration committee is accountable to the Board.

In 2016, the remuneration committee held a total of three meetings, at which the resolutions such as the Directors' remuneration and supervisors' remuneration for 2016, the operational results performance evaluation of senior management for 2016 and the proposal for the payment of remuneration to senior management for 2015 were considered. All the resolutions were approved at respective meetings and all the members of the remuneration committee attended all the three meetings except for Peng Yi (a member) and Zhang Ke (a member) on leave once respectively.

(IV) Nomination Committee

In 2016, the nomination committee under the Board comprised one executive Director and two independent non-executive Directors. The "Work Manual of the Nomination Committee of the Board" clearly defines the status, composition, terms of reference, decision-making procedures as well as rules of procedure of the nomination committee. It particularly requires that the chairman of the nomination committee is to be elected from the independent non-executive Directors. The major responsibilities of the nomination committee are to study the election criteria and procedures of the Directors and senior management of the Company, review the candidates for the Directors and senior management and give recommendations to the Board, and to assess the independence of the independent non-executive Directors. The responsibilities of nomination committee comply with the relevant requirements of the Hong Kong Listing Rules. The nomination committee is accountable to the Board.

Pursuant to the relevant sections of the "Corporate Governance Code", Appendix 14 of the Hong Kong Listing Rules, the nomination committee developed the diversity policies of the Board, including:

1. When recommending director candidate to the Board or examining the size and composition of the Board, the nomination committee should thoroughly consider and evaluate the diversity of the members of the Board, as well as objectively determine the potential contribution to be made by the candidates to the Company, thus allowing the Board to be diversified in views and perspectives when performing its duties, composing the best combination of Board members that suit the operational features of the Company and enhancing the efficiency and performance of the Board.

2. A diversified composition of the Board will be based on a series of factors, including but not limited to age, cultural background, educational background, professional qualifications, experience, skills level and knowledge as well as other qualities. The nomination committee should determine the parameters of the diversity factors according to the business development and strategic planning of the Company at different times and stages, as well as review the diversification progress of the Board and give recommendations (if needed) to the Board for improvement.

In 2016, the nomination committee did not hold any meeting.

(V) Safety, Health and Environmental Protection Committee

In 2016, the safety, health and environmental protection committee under the Board comprised one executive Director, one independent non-executive Director and one independent Director. The "Work Manual of the Safety, Health and Environmental Protection Committee" clearly defines the status, composition, terms of reference, decision making procedures as well as rules of procedure of the safety, health and environmental protection committee. The safety, health and environmental protection committee is mainly responsible for the implementation of the Company's safety, health and environmental protection plans, supervision of the potential responsibilities, changes of laws and regulations and technological transformation related to safety, health and environmental protection issues. The safety, health and environmental protection committee is accountable to the Board.

In 2016, the safety, health and environmental protection committee held two meetings, at which the resolutions such as the 2015 annual report and the 2015 social responsibility report were considered, and reports in relation to work progress in 2015 and the work arrangement for 2016 regarding safety, health and environmental protection were heard. All the resolutions were approved at respective meetings and all the members of the safety, health and environmental protection committee attended all the two meetings.

7. CORPORATE GOVERNANCE FUNCTION OF THE BOARD

As approved by the general meeting of the Company held on 25 May 2012, amendments were made to the Board's rules of procedure, under which the Board is delegated to perform the following functions: to formulate, review and make recommendations on the Company's corporate governance policies and practices; to review and monitor the professional training and continuous professional development for the Directors and senior management of the Company as well as the Company's policies and practices in legal compliance and regulatory requirements; to formulate, review and monitor the Code of Conduct and Compliance Manual (if any) for employees and the Directors; to review the Company's compliance with the Corporate Governance Code and disclosures made in the Corporate Governance Report; to formulate and review regularly Shareholders' communications policies to ensure their effectiveness.

During the reporting period, the Board reviewed and revised a series of corporate governance documents of the Company, including the Articles of Association, and monitored the implementation of these documents from time to time; reviewed and keenly organised professional training and continuous professional development for the Directors and senior management; reviewed and monitored the Company to identify any violation of laws and regulatory requirements; approved the Company's Corporate Governance Report for 2015 and authorised the disclosure of the same on the HKSE website and the Company website; and formulated, reviewed and supervised Shareholders communication policies to ensure their effectiveness.

8. THE COMPOSITION OF THE COMPANY'S MANAGEMENT AND ITS RESPONSIBILITIES

The Company's management team comprises one president and two vice presidents. The president is accountable to the Board. The responsibilities of the management are to take charge of the Company's production, operation and management; to organise resources to implement the Board's resolutions and the Company's annual operational plans and investment plans; to draw up the proposals regarding the structure of the Company's internal management and the basic management system of the Company; to formulate the Company's basic rules and regulations; to propose appointment or removal of the Company's vice presidents (managers); to appoint or remove the Company's management other than those who should be appointed or removed by the Board; and all other duties assigned by the Articles of Association and the Board.

9. THE CHAIRMAN AND THE PRESIDENT

In 2016, the Company's chairman was Mr. Li Yanjiang and its president was Mr. Gao Jianjun. The chairman and the president are two different positions with clearly delineated responsibilities. The chairman does not serve as the president concurrently, and the terms of reference of the chairman and the president are also clearly set out in writing. For details, please refer to the Articles of Association. Senior management of the Company other than Directors and Supervisors are responsible for the Company's daily business operations and their duties are set out in the section headed "Directors, Supervisors, Senior Management and Employees" in this report.

10. INSURANCE ARRANGEMENT

Pursuant to Provision A1.8 under the "Corporate Governance Code" and the "Corporate Governance Report" set out in Appendix 14 of the Hong Kong Listing Rules, the Company should purchase appropriate insurance to cover potential legal actions against its Directors. The Company has renewed its liability insurance purchased for its Directors, Supervisors and senior management.

11. REMUNERATION OF AUDITORS

In 2016, the Group's international auditor was PricewaterhouseCoopers, and the domestic auditor was PricewaterhouseCoopers Zhong Tian. The Group's annual audit fees for the year ended 31 December 2016 was RMB11,500,000 in aggregate, of which audit fees for internal control amounted to RMB1,200,000. Apart from abovementioned fees, the Group engaged PricewaterhouseCoopers Zhong Tian to provide services for its issue of corporate bonds and short-term financing bonds, and paid non-audit fees of RMB230,000.

12. SUPERVISORS AND SUPERVISORY COMMITTEE

The Supervisory Committee comprises three Supervisors, including two shareholder representatives and one employee representative. The Supervisory Committee is accountable to the Shareholders' general meeting and reports its work to the general meeting.

During 2016, among the members of the Supervisory Committee, Mr. Zhou Litao and Mr. Zhao Rongzhe served as the shareholder representative Supervisors and Mr. Zhang Shaoping served as the employee representative Supervisor.

The principal duties of the Supervisory Committee are to supervise, inspect and assess the Company's operation in accordance with the laws, the financial affairs of the Company and whether the Directors and senior management of the Company have performed their duties lawfully.

The Supervisory Committee held five meetings during the reporting period.

Attendance details of the meetings of the Supervisory Committee are as follows:

	Supervisor	**Attendance in person**	**Attendance by proxy**	**Attendance rate (%)**
Third session of the Supervisory Committee	Zhou Litao	5/5	0	100
	Zhao Rongzhe	5/5	0	100
	Zhang Shaoping	5/5	0	100

13. ESTABLISHMENT AND IMPLEMENTATION OF ANCILLARY MECHANISMS

(I) Management of Connected Transactions

The Company strictly adheres to the provisions of the listing rules of the stock exchanges where the Company's shares are listed, the "Guidelines of the Shanghai Stock Exchange on Connected Transactions of Listed Companies", "Management Measures on Connected Transactions" and the "Detailed Rules for the Implementation of the Management Measures for Connected Transactions" of the Company to manage and regulate various connected transactions. Necessary connected transactions were carried out in a reasonable manner in accordance with the routine connected transactions and their caps considered approved by the Board and Shareholders' general meeting of the Company. The consideration of connected transactions is determined in accordance with the principle set out in the framework agreement, therefore is fair and reasonable and in the best interest of the Shareholders as a whole.

In 2016, the Company sustained its connected transaction budget management, monthly monitoring, cap alert and regular discussion mechanisms to reinforce the management foundation through the strengthening of compliance training, research and study, dynamic management and the update of connected party lists. With the help of electronic statistic software, the Company controlled the actual monthly amounts of connected transactions, analyzed and studied problems of related enterprises identified in the course of management of connected transactions to instruct and urge related enterprises to eliminate hidden problems, thus ensuring the continuing connected transactions do not exceed the annual exempted caps. The Company further introduced an internal mechanism for reporting important information, and continuously monitored and controlled the non-continuing connected transactions, to ensure the approval and disclosure procedures of non-continuing connected transactions were conducted in a timely manner.

Through constantly strengthening the implementation of systems for management of connected transactions and solidifying the foundation for management of connected transactions by various measures, the Company further improved its standards for management and control of connected transactions and ensured the compliance of various connected transactions with the laws and regulations and regulatory requirements during the reporting period.

(II) Establishment of Internal Control System and Internal Control Audit

1. Statement of the Board

In accordance with the regulations of enterprise internal control regulated systems and the relevant requirements under the "Corporate Governance Code" and the "Corporate Governance Report" of the HKSE, the Board is responsible for the risk management and internal control systems of the Company and its subordinate enterprises and reviewing their effectiveness. These risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Company has effective procedures in relation to financial reporting and compliance with the requirements of the Hong Kong Listing Rules.

2. *Development of the Risk Management and Internal Control Systems of the Company*

(1) The risk management and internal control systems of the Company

The Company has established a standardised and sound corporate governance and control structure in accordance with modern corporate systems, aiming to achieve coordinated operation and standardised management. The structure clearly defines the terms of reference, employment requirements, rules of procedures and work procedures of decision-making level, management level and executive level, and ensures the separation of decision making, execution and supervision as well as maintains its effective check and balance, ensuring scientific decision-making and the effectiveness of implementation. The Company has established risk management and control systems in the headquarter and subordinate enterprises with scientific decision-making, efficient execution and effective supervision based on institutional building, with an aim to achieve decision-making based on scientific methods, efficient execution and effective supervision and focusing on the main direction of "Target, Risk and Control". Subject to the Articles of Association, the Company has formulated rules and regulations such as "Rules of Procedures of the Board of Directors", "Rules of Procedures of the Audit and Risk Control Committee", "Rules of Procedures of the General Manager", "Internal Control Handbook", "Internal Control Evaluation Handbook", "Workflow Handbook" and "Appraisal Measures for Comprehensive Risk Management and Internal Control". The Company has promoted the effective operation of its risk management and risk control systems through establishing an effective organisational function system for risk management and internal control, which provides reasonable assurance for the Company to achieve strategic goals and sustainable development.

(2) The composition of the Company's risk management and internal control systems

The Company's risk management and internal control systems have "Three Lines of Defense", which is comprised of the decision-making body of risk management, the functional body of risk management and the responsible body of risk management. The "Three Lines of Defense" are neither established alone nor could be replaced by the others. They complement and strengthen each other and are designated to correct deviation, as well as prevent and control risks.

The First Line of Defense: all departments at headquarter and their subordinate enterprises. It is responsible for the risk management of business lines. It is the bearer of specific risks as well as the department which is directly responsible for risk management.

The Second Line of Defense: the functional body of risk management. It is mainly responsible for the overall panning, organisation and coordination, formulating the risk management systems, procedures of the Company, and supervising their implementation. It is also responsible for coordinating, promoting and supervising the effectiveness of the risk management and internal control under the First Line of Defense and at the same time, undertakes the core management and organisation functions of material risks.

The Third Line of Defense: the audit and risk management committee of the Company. It is responsible for supervising and examining the financial management, risk management and internal control of the Company, reviewing the risk assessment and management policies of the Company, assessing the nature and extent of the risks that the Company is willing to take in achieving its strategic objectives, and ensuring that the Company establishes effective risk management and internal control systems.

The "Three Lines of Defense" work together and establish an error correction mechanism to effectively control deviation and risks, thus laying a solid foundation for risk management and improving operating efficiency. In addition, the Board and its audit and risk management committee are responsible for identifying, analysing, monitoring and managing material risks as well as the overall planning and management of the "Three Lines of Defense" and their effective operation, pushing forward the implementation and improvement of the Company's risk management.

(3) Procedures for identifying, assessing and managing material risks

The Company has set up procedures to identify, assess and manage material risks based on assessment basis, assessment dimension, risk rating and dispersion.

Firstly, the Company grades risks from aspects of assessment basis, assessment dimension, risk rating and dispersion:

In respect of assessment basis: risks will be graded by reference to the risks currently controlled by the Company (without taking into account the risks that may be controlled by the Company in the future).

In respect of assessment dimension: each risk will be graded according to the possibility of their occurrence and their impacts. The possibility represents the probability that a risk may occur, the impact represents the economic, operating, reputation and other losses that the risk may incur, and both adopt five-mark systems. Value at risk= probability × impacts, and as a result, value at risks ranges from 1-25 and the higher the value at risk, the greater the risks.

In respect of risk rating: risks are classified into low, medium and high three levels in accordance with risk assessment standard based on the value at risk calculated.

In respect of dispersion: dispersion represents the extent that a group of figures deviate from the average number, and the smaller the dispersion, the more consistent the assessment results.

Through identifying and assessing risks, the risks faced by the Company are categorised into 5 primary risks including strategic risk, financial risk, market risk, operational risk and legal risk and 70 secondary risks.

Secondly, the Company calculates the final assessment results of each risk after considering the grade of each assessment, pursuant to which the material risks faced by the Company during the year are assessed.

(4) *Procedures and internal control measures for handling and dissemination of insider information*

The Company has established special insider information management systems such as the "Registration System for Persons with Insider Information", "Internal Reporting System for Material Information" and "Information Disclosure Management System". The systems above set out the procedures and internal control measures for disseminating and issuing insider information, including: persons with insider information such as directors, supervisors, senior management, and persons in charge of each department, branches, subsidiaries and other related subsidiaries of the Company have the responsibility of reporting the insider information that they are informed of within their authorities to the secretary to the Board who shall report to the chairman and senior management of the Company in a timely manner after receiving such report. For insider information which requires the Board and Shareholders' general meetings to review and approve or require the Company to fulfill its responsibility of information disclosure, the secretary to the Board shall propose to the Board and the Supervisory Committee to conduct corresponding procedures and disclose such information in accordance with relevant requirements to the public.

For accidental material insider information which the Company is informed of, the secretary to the Board is able to effectively communicate with directors, supervisors, senior management and persons in charge of each department, branches, subsidiaries and other related subsidiaries of the Company in an active and timely manner, ensuring that the Company will fulfill the insider information disclosure procedure in accordance with laws and regulations. Meanwhile, the Company has established a regular compliance meeting system to discuss whether insider information should be disclosed and review the effectiveness of insider information management on a monthly basis.

(5) *Measures for responding to material internal control deficiency*

Based on major objectives for the year and areas that may incur material business risks, in respect of the material risks for the year assessed, the Company has adopted detailed measures for controlling the material risks, tracked the effectiveness of the risk control in a timely manner, and determined the subject responsible for material risk control and its terms of references. As for the significant control failings or weakness that has been identified during the reporting period and the extent to which they have resulted in unforeseen outcomes or contingencies, the Company's responsible body of risk management shall report to the risk management functional department, the Board and its audit and risk management committee in a timely manner, and be responsible for identifying and analysing the material impacts that such outcomes or contingencies have had, could have had, or may in the future have on the Company's financial performance or conditions, and making risk management emergency plans in a timely manner. The risk management functional department and the Board will supervise the implementation of such emergency plans, analyse and assess the impact that such matter has on the Company, and fully assess, study and judge the feasibility of the emergency plans.

3. Review of Risk Management and Internal Control Systems

The Board regularly organises and conducts a review of the internal risk management and internal control system of the headquarter and subordinate enterprises, formulates the overall planning and objectives for the internal review of risk management and internal control systems, and carries out education and trainings regarding risk management and internal control every year. For the year ended 31 December 2016, the Board has conducted 3 reviews of the effectiveness of the internal risk management and internal control systems of the headquarter and its subordinate enterprises, the scopes of which covered each and every key aspect of the control systems including the financial control system, operation control system and compliance control system, such as development strategy management, investment management, contract management, finance management, capital raising management, material purchase management, infrastructure project management, safety production management, sales management, property right management, human resource management, and quality and technology management. After the reviews, the Company was of the view that the headquarter and subordinate enterprises had set up internal audit function, and the internal risk management and internal control systems of the headquarter and subordinate enterprises were effective and sufficient.

In order to reasonably ensure the effectiveness of the internal risk management and internal control systems, and the quality of the internal review, the Board authorises the risk management and internal control departments to supervise and inspect the effectiveness of reviewing the internal risk management and internal control systems of subordinate enterprises every year. The scopes of the supervision and inspection cover the effectiveness of the Company's risk management and internal control systems, the changes in the nature and extent of material risks assessed during the year, the Company's ability to respond to changes in its business and the external environment, the scope and quality of ongoing monitoring of risks and of the internal control systems, the work of the internal audit function and other assurance providers, and significant control failings or weakness that has been identified during the reporting period and the extent to which they have resulted in unforeseen outcomes or contingencies that may in the future have a material impact on the Company's financial performance. In respect of the supervision and inspection above and the effectiveness of the Company's risk management and internal control systems, the supervision and inspection results will be reported by the risk management and internal control departments to the Board and its audit and risk management committee, thus helping the Board to assess the effectiveness of the Company's control and risk management.

4. Internal Audit

According to the Identification Standards for Significant Defects of Risk Management and Internal Control of the Company, during the year ended 31 December 2016, there were no significant defects in the risk management and internal control of the Company, and the Board was of the view that the Company had maintained, in all material respects, effective internal control over financial reporting in accordance with the risk management and internal control systems and relevant financial reports and in compliance with the requirements of the Hong Kong Listing Rules.

PricewaterhouseCoopers Zhong Tian had audited the effectiveness of the Company's internal control system in relation to financial reports and provided an auditor's report with standard unqualified opinions.

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF
CHINA COAL ENERGY COMPANY LIMITED
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Coal Energy Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 102 to 210, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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") 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 International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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羅兵咸永道

TO THE SHAREHOLDERS OF
CHINA COAL ENERGY COMPANY LIMITED (Continued)
(incorporated in the People's Republic of China with limited liability)

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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.

Key audit matter identified in our audit is related to the impairment assessment of non-current assets in the coal segment.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of non-current assets in the coal segment Refer to note 4(a) to the consolidated financial statements. Volatile coal price and the impact of Chinese government's policies to reduce capacity in the coal industry gave rise to the uncertainty of recoverability of certain non-current assets in the Group's coal segment, including property, plant and equipment, mining rights and exploration rights, land use rights, intangible assets and other non-current assets.	We evaluated and tested the key controls relating to impairment assessment, including controls over the identification of CGUs with impairment indicators, development and calculations of DCF models. We assessed management's identification of CGUs with impairment indicators, considering the operating results in 2016 and impact of government's policies to reduce capacity. We performed sensitivity analysis to identify the assumptions to which the outcomes of the DCF were more sensitive and therefore became the focus of our attention.

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF
CHINA COAL ENERGY COMPANY LIMITED (Continued)
(incorporated in the People's Republic of China with limited liability)

Key Audit Matter	How our audit addressed the Key Audit Matter
Management identified four cash generating units ("CGUs") in the coal segment with impairment indicators, with non-current assets balances of RMB67 billion as at 31 December 2016, and assessed the value in use ("VIU") of these CGUs based on the discounted cash flows ("DCF"). The key assumptions used in the DCF calculations included future coal prices, production volume, production cost, capital expenditures and discount rate. As the result of management's assessment, no impairment provisions were made for non-current assets in the coal segment as at 31 December 2016. We focused on this area because of the magnitude of non-current assets with impairment indicators and the significance of management judgements involved in the impairment assessment of these assets.	We evaluated the key assumptions adopted by management in the DCF models of the respective CGUs being tested, by utilising our knowledge of the Group and coal industry with the assistance of our valuation experts. Our procedures included: • We compared the future coal prices adopted by management against the range of coal price forecasts published by various reputable investment banks; • We compared the discount rates against the market data, taking into account the specific risks associated with the CGUs; • We compared the forecast production volume against relevant data such as designed capacity, permitted capacity, historical production volume, and future production plan; • We compared the forecast capital expenditures with the latest budget and capital commitment to bring the current construction projects within the CGUs into use and historical data of annual fixed asset replacement; and • We compared the forecast production costs against historical data for mines in production phase, or designed production costs for mines in development phase. We checked the mathematical accuracy of the calculations in the DCF models prepared by management. Based on the procedures performed, we considered that management's judgements made in assessing the impairment of the non-current assets in the coal segment were supported by the evidence we gathered.

羅兵咸永道

TO THE SHAREHOLDERS OF
CHINA COAL ENERGY COMPANY LIMITED (Continued)
(incorporated in the People's Republic of China with limited liability)

OTHER INFORMATION

The directors of the Company 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 of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs 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.

羅兵咸永道

TO THE SHAREHOLDERS OF
CHINA COAL ENERGY COMPANY LIMITED (Continued)
(incorporated in the People's Republic of China with limited liability)

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. We report our opinion solely to you, as a body, 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 ISAs 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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.

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF
CHINA COAL ENERGY COMPANY LIMITED (Continued)
(incorporated in the People's Republic of China with limited liability)

- 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.

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 LEONG Kin Bong.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2017

(If there is any inconsistency between the English and Chinese version of this independent auditor's report, the English version shall prevail.)

Consolidated Balance Sheet

As at 31 December 2016
(All amounts in RMB unless otherwise stated)

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**128,239,858**	128,805,171
Investment properties		**53,270**	50,836
Land use rights	*7*	**5,038,319**	4,889,260
Mining rights and exploration rights	*8*	**33,673,946**	32,843,807
Intangible assets	*9*	**1,443,284**	1,363,034
Goodwill		**6,084**	–
Investments in associates	*10(b)*	**12,008,565**	11,221,621
Investments in joint ventures	*10(c)*	**2,020,163**	1,878,577
Available-for-sale assets	*12*	**5,467,784**	5,566,926
Deferred income tax assets	*23*	**2,982,306**	2,425,963
Long-term receivables	*13*	**285,342**	245,524
Other non-current assets	*14*	**6,897,443**	6,716,696
		198,116,364	196,007,415
Current assets			
Inventories	*15*	**7,390,899**	6,825,048
Trade and notes receivables	*16*	**14,457,865**	13,268,942
Prepayments and other receivables	*17*	**7,424,173**	9,726,628
Restricted bank deposits	*18*	**1,919,510**	2,586,039
Term deposits with initial terms of over three months	*18*	**3,455,113**	18,416,259
Cash and cash equivalents	*18*	**9,893,779**	11,195,663
		44,541,339	62,018,579
TOTAL ASSETS		**242,657,703**	258,025,994
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	*19*	**13,258,663**	13,258,663
Reserves	*20*	**43,346,514**	42,775,332
Retained earnings		**29,441,863**	27,673,574
		86,047,040	83,707,569
Non-controlling interests		**16,066,828**	16,574,854
Total equity		**102,113,868**	100,282,423

Consolidated Balance Sheet

As at 31 December 2016
(All amounts in RMB unless otherwise stated)

		As at 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Long-term borrowings	*21*	**43,496,933**	54,479,691
Long-term bonds	*22*	**25,900,417**	25,896,299
Deferred income tax liabilities	*23*	**6,738,669**	6,821,961
Deferred revenue		**801,552**	784,397
Provision for employee benefits		**70,936**	41,283
Provision for close down, restoration and environmental costs	*27*	**1,352,350**	1,308,799
Other long-term liabilities	*28*	**767,242**	764,390
		79,128,099	90,096,820
Current liabilities			
Trade and notes payables	*24*	**21,160,146**	20,665,655
Accruals, advances and other payables	*25*	**12,725,542**	13,289,854
Short-term bonds	*26*	**3,000,000**	2,000,000
Current portion of long-term bonds		**–**	14,972,791
Taxes payable		**1,769,449**	1,017,466
Short-term borrowings	*21*	**6,573,031**	5,657,929
Current portion of long-term borrowings	*21*	**16,161,810**	10,019,483
Current portion of provision for close down, restoration and environmental costs	*27*	**25,758**	23,573
		61,415,736	67,646,751
Total liabilities		**140,543,835**	157,743,571
TOTAL EQUITY AND LIABILITIES		**242,657,703**	258,025,994

The accompanying notes on page 110 to page 210 are an integral part of these consolidated financial statements.

These financial statements on pages 102 to 109 were approved by the Board of Directors on 22 March 2017 and were signed on its behalf.

Li Yanjiang	**Chai Qiaolin**	**Chai Qiaolin**
Chairman of the Board	*Chief Financial Officer*	*Manager of Finance Department*
Executive Director		

Consolidated Income Statement

For the year ended 31 December 2016
(All amounts in RMB unless otherwise stated)

		Year ended 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Revenue	*5*	**60,631,613**	59,270,865
Cost of sales			
Materials used and goods traded		**(25,375,919)**	(24,199,733)
Staff costs		**(4,053,659)**	(4,229,628)
Depreciation and amortisation		**(5,895,215)**	(6,393,236)
Repairs and maintenance		**(1,005,228)**	(824,533)
Transportation costs and port expenses		**(8,212,385)**	(11,735,216)
Sales taxes and surcharges		**(1,900,129)**	(1,492,708)
Others		**(4,296,715)**	(6,292,032)
Cost of sales	*29*	**(50,739,250)**	(55,167,086)
Gross profit		**9,892,363**	4,103,779
Selling, general and administrative expenses	*29*	**(4,749,865)**	(4,400,328)
Other income		**13,300**	56,297
Other gains, net	*30*	**980,186**	283,472
Profit from operations		**6,135,984**	43,220
Finance income	*31*	**614,341**	965,660
Finance costs	*31*	**(4,357,025)**	(4,946,870)
Share of profits of associates and joint ventures		**608,008**	362,312
Profit/(loss) before income tax		**3,001,308**	(3,575,678)
Income tax (expense)/credit	*33*	**(298,757)**	748,178
Profit/(loss)for the year		**2,702,551**	(2,827,500)
Profit/(loss)attributable to:			
Equity holders of the Company		**1,715,105**	(3,266,791)
Non-controlling interests		**987,446**	439,291
		2,702,551	(2,827,500)
Basic and diluted earnings/(losses) per share for the profit/(loss) attributable to the equity holders of the Company (RMB)	*34*	**0.13**	(0.25)

The accompanying notes on page 110 to page 210 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016
(All amounts in RMB unless otherwise stated)

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

The accompanying notes on page 110 to page 210 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016
(All amounts in RMB unless otherwise stated)

	Attributable to equity holders of the Company					
	Share capital	Reserves	Retained earnings	Subtotal	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2015	13,258,663	43,069,928	30,575,152	86,903,743	16,025,405	102,929,148
Comprehensive income						
(Loss)/profit for the year	–	–	(3,266,791)	(3,266,791)	439,291	(2,827,500)
Other comprehensive loss						
Available-for-sale financial assets	–	(872)	–	(872)	–	(872)
Currency translation differences	–	(8,396)	–	(8,396)	–	(8,396)
Total other comprehensive loss, net of tax	–	(9,268)	–	(9,268)	–	(9,268)
Total comprehensive (loss)/income	–	(9,268)	(3,266,791)	(3,276,059)	439,291	(2,836,768)
Appropriations *(Note 20)*	–	(665,837)	665,837	–	–	–
Share of changes in reserves of investments accounted for using the equity method	–	4,998	(8,342)	(3,344)	–	(3,344)
Contributions	–	405,846	–	405,846	226,150	631,996
Dividends *(Note 35)*	–	–	(319,649)	(319,649)	(21,853)	(341,502)
Disposals of subsidiaries	–	–	–	–	(93,150)	(93,150)
Loss of significant influence over an associate	–	(30,335)	27,367	(2,968)	(989)	(3,957)
Total transactions with owners, recognised directly in equity	–	(285,328)	365,213	79,885	110,158	190,043
Balance at 31 December 2015	13,258,663	42,775,332	27,673,574	83,707,569	16,574,854	100,282,423
Comprehensive income						
Profit for the year	**–**	**–**	**1,715,105**	**1,715,105**	**987,446**	**2,702,551**
Other comprehensive income/(loss)						
Available-for-sale financial assets	**–**	**(1,622)**	**–**	**(1,622)**	**–**	**(1,622)**
Currency translation differences	**–**	**22,813**	**–**	**22,813**	**–**	**22,813**
Total other comprehensive income, net of tax	**–**	**21,191**	**–**	**21,191**	**–**	**21,191**
Total comprehensive income	**–**	**21,191**	**1,715,105**	**1,736,296**	**987,446**	**2,723,742**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016
(All amounts in RMB unless otherwise stated)

	Attributable to equity holders of the Company					
	Share capital	**Reserves**	**Retained earnings**	**Subtotal**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Appropriations *(Note 20)*	**–**	**(45,011)**	**45,011**	**–**	**–**	**–**
Share of changes in reserves of investments accounted for using the equity method	**–**	**(3,319)**	**3,319**	**–**	**–**	**–**
Contributions	**–**	**4,728**	**–**	**4,728**	**244,261**	**248,989**
Dividends *(Note 35)*	**–**	**–**	**–**	**–**	**(328,875)**	**(328,875)**
Loss of control over subsidiaries	**–**	**(4,854)**	**4,854**	**–**	**43,047**	**43,047**
Acquisition of non-controlling interests	**–**	**604,307**	**–**	**604,307**	**(1,453,905)**	**(849,598)**
Other	**–**	**(5,860)**	**–**	**(5,860)**	**–**	**(5,860)**
Total transactions with owners, recognised directly in equity	**–**	**549,991**	**53,184**	**603,175**	**(1,495,472)**	**(892,297)**
Balance at 31 December 2016	**13,258,663**	**43,346,514**	**29,441,863**	**86,047,040**	**16,066,828**	**102,113,868**

The accompanying notes on page 110 to page 210 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2016
(All amounts in RMB unless otherwise stated)

		Year ended 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Cash flows from operating activities			
Cash generated from operations	*37(a)*	**12,717,116**	8,122,004
Income tax paid		**(649,357)**	(837,362)
Net cash generated from operating activities		**12,067,759**	7,284,642
Cash flows from investing activities			
Purchases of property, plant and equipment		**(8,061,784)**	(11,364,473)
Proceeds from disposals of property, plant and equipment		**1,449,019**	69,225
Purchases of land use rights, mining rights and intangible assets		**(954,332)**	(76,474)
Proceeds from disposals of land use rights, mining right and intangible assets		**26,653**	–
Purchases of available-for-sale financial assets		**(40,000)**	(400,000)
Proceeds from disposals of available-for-sale financial assets		**–**	1,858
Increase in prepayments for investments		**(262,454)**	(224,354)
Payment for acquisition of subsidiaries, net of cash acquired		**(64,815)**	(38,000)
Proceeds received from disposal of a subsidiary in prior year		**400,000**	–
Decrease in prepayment for investments		**127,651**	20,000
Disposal of subsidiaries		**737,288**	430,860
Cash injections in associates and joint ventures		**(614,957)**	(1,747,620)
Dividends received		**205,374**	206,309
Loan repayment from an associate		**3,100,000**	–
Loan repayment from a joint venture		**600,000**	650,000
Loan repayment from fellow subsidiaries		**4,660,000**	320,000
Loan repayment from a subsidiary disposed of		**1,560,227**	–
A loan granted to an associate		**(1,550,000)**	(1,550,000)
A loan granted to a joint venture		**(400,000)**	–
Loans granted to fellow subsidiaries		**(5,896,368)**	(617,000)
Government grants received		**184,715**	103,156
Interest income on loans to fellow subsidiaries		**65,700**	24,972
Interest income on loans to joint ventures and an associate		**122,031**	135,866
Interest income on term deposits		**220,380**	334,209
Decrease/(increase) in placement of term deposits with initial terms of over three months		**14,961,146**	(12,600,738)
Net cash generated from/(used in) investing activities		**10,575,474**	(26,322,204)

Consolidated Cash Flow Statement

For the year ended 31 December 2016
(All amounts in RMB unless otherwise stated)

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Cash flows from financing activities		
Proceeds from borrowings	**13,604,995**	23,690,923
Repayments of borrowings	**(16,913,277)**	(17,359,038)
Government grants received	**–**	6,200
Contributions from the Company's shareholders	**4,728**	470,474
Contributions from non-controlling interests	**244,261**	43,642
Dividends paid to the Company's shareholders	**–**	(319,649)
Dividends paid to non-controlling interests	**(289,129)**	(33,720)
Acquisition of non-controlling interest of a subsidiary	**(675,624)**	–
Interest paid	**(5,854,082)**	(5,797,304)
Net proceeds from issuance of long-term bonds	**–**	9,976,000
Repayment of long-term bonds	**(15,000,000)**	–
Net proceeds from issuance of short-term bonds	**2,992,814**	1,994,500
Repayment of short-term bond	**(2,000,000)**	(500,000)
Bonds issuance costs	**(66,150)**	(72,600)
Net cash (used in)/generated from financing activities	**(23,951,464)**	12,099,428
Net decrease in cash and cash equivalents	**(1,308,231)**	(6,938,134)
Cash and cash equivalents, at beginning of the year	**11,195,663**	18,131,712
Net foreign exchange gains	**6,347**	2,085
Cash and cash equivalents at end of the year	**9,893,779**	11,195,663

The accompanying notes on page 110 to page 210 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

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

The H shares of the Company have been listed on The Main Board of the Stock Exchange of Hong Kong Limited since December 2006, while it's A shares have been listed on the Shanghai Stock Exchange since February 2008.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Going Concern

As at 31 December 2016, the Group's current liabilities exceeded its current assets by approximately RMB16,874 million. To raise the fund required for the short-term repayment, the Group has planned to utilise the following:

- Short-term bonds of RMB10,000 million registered with National Association of Financial Market Institutional Investors in July 2016, of which RMB3,000 million had been issued in August 2016 (Note 26), and the remaining RMB7,000 million can be issued when necessary;

- Corporate bond of RMB8,000 million to be issued, which had been approved by China Securities Regulatory Commission in December 2016;

- The Group's expected net cash flow from operating activities for the next 12 months;

- Banking facilities available for draw-down of new loans when necessary; and

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

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

2.1.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

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

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

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

- Amendments from annual improvements to IFRSs – 2012-2014 Cycle, and

- Amendments to IAS 1, "Disclosure initiative".

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policy and disclosures (continued)

(b) A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 15, "Revenue from contracts with customers"

  The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts.

  The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

  The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018, and will allow early adoption.

  Management is currently analysing the impact of the new standard on the Group's financial statements and so far has not identified any areas which are likely to be materially affected. The Group will continue to assess the impact of the new rules on the Group's financial statements.

  IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

- IFRS 16, "Leases"

  IFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

  The accounting for lessors will not significantly change.

  The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB899,836,000 (note 40). However, the Group has not yet determined to what extent these commitments 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policy and disclosures (continued)

(b) A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below: *(continued)*

- IFRS 16, "Leases" *(continued)*

  Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

  The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

- IFRS 9, "Financial instruments"

  IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 January 2018 but is available for early adoption. The Group is currently assessing whether it should adopt IFRS 9 before its mandatory date.

  While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets currently classified as available-for-sale (AFS) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

  The other financial assets held by the Group include:

  - equity instruments currently classified as AFS for which a FVOCI election is available

  - debt instruments currently measured at amortised cost which appear to meet the conditions for classification at amortised cost under IFRS 9.

  Accordingly the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

  There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policy and disclosures (continued)

(b) A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below: *(continued)*

- IFRS 9, "Financial instruments" *(continued)*

  The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the Group is yet to undertake a detailed assessment, it would appear that the Group's current hedge relationships would qualify as continuing hedges upon the adoption of IFRS 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

  The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in earlier recognition of credit losses.

  The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree 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 at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred assets. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates and joint ventures' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Joint arrangements

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, defined as the person who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the President Office that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates quoted by the People's Bank of China prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (continued)

(b) Transactions and balances (continued)

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance cost'. All other foreign exchange gains and losses are presented in the income statement within 'other gains, net'.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

2.7 Property, plant and equipment

Property, plant and equipment, consisting of buildings, mining structures, plant, machinery and equipment, railway structures and motor vehicles, fixtures and others, are stated at historical cost, less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment (continued)

Other than mining structures, depreciation of each asset is calculated using the straight-line method to allocate its cost less its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	10 – 50 years
Plant, machinery and equipment	8 – 18 years
Railway structures	25 – 30 years
Motor vehicles, fixtures and others	5 – 15 years

Mining structures (including the main and auxiliary mine shafts and underground tunnels) are depreciated on the units of production method utilising only recoverable coal reserves as the depletion base.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Construction in progress represents property, plant and equipment under construction or pending installation, and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.13).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the income statement.

2.8 Deferred Stripping costs

In the mining of open-pit mines, stripping activities are necessary to remove rocks and soil above the coal body. Actual stripping costs incurred for each accounting period may vary based on the geological condition and the production plan. In the accounting for stripping costs, the portion of stripping costs that are incurred for the coal body to be mined in future years (those that will generate future economic benefits) are capitalised in property, plant and equipment, and are amortised to production cost in the period when the relevant coal ores are mined; and the rest of the stripping costs are recorded in production cost when incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investment Properties

Investment properties include those portions of office buildings that are held for long-term rental yields or for capital appreciation.

Investment properties are initially measured at cost and subsequently accounted for under the cost model in accordance with the requirements of IAS 16 Property, Plant and Equipment.

Depreciation of the investment properties is calculated using the straight-line method to allocate its cost less its residual value over its estimated useful life. The estimated useful life of these investment properties is estimated to be 30 years to 47 years.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are written off to the income statement. The cost of maintenance, repairs and minor improvements is charged to the income statement when incurred.

2.10 Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods varying from 20 to 50 years. Amortisation of land use rights is calculated on a straight-line basis over the period of the land use rights.

2.11 Mining rights and exploration rights

Mining rights are stated at cost less accumulated amortisation and impairment losses and are amortised based on the units of production method utilising only recoverable coal reserves as the depletion base.

Exploration rights are stated at cost less impairment losses. Cost of the exploration rights are transferred to mining rights upon the government's approval of the mining license.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Intangible assets

(a) Technical know-how

Technical know-how is capitalised on the basis of the costs incurred to acquire and bring to use the technical know-how. These costs are amortised over estimated useful life of 20 years.

(b) Emission rights

Emission rights are capitalised on the basis of costs incurred to acquired the emission rights and amortised over estimated useful lives of 50 years.

(c) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over estimated useful lives of 5 years. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

(d) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (“CGUs”), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.14 Financial assets

2.14.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are included in "cash and cash equivalents", "restricted bank deposits", "term deposits with initial terms of over three months", "trade and notes receivables", "prepayments and other receivables", "other non-current assets" and "long-term receivables" in the balance sheet.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial assets (continued)

2.14.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. The investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement in "other gains, net".

Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payment is established.

2.14.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial assets (continued)

2.14.4 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial assets (continued)

2.14.4 Impairment of financial assets (continued)

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

2.16 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.17 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.20 Borrowings and bonds

Borrowings and bonds are recognised initially at fair value, net of transaction costs incurred. Borrowings and bonds are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings and bonds are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period.

2.21 Borrowing costs

General and specific 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 added to 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 capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs are mainly interest expense.

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income and directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Current and deferred income tax (continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Employee benefits

(a) Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans administered by the PRC government. The relevant government agencies undertake to assume the retirement benefit obligation payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made.

In addition, as approved by the government, the Group makes contribution to a supplemental defined contribution pension plan for its employees. The fund is managed by a qualified fund manager and the Group has no further obligation for post-retirement benefits beyond the contributions made.

Contributions to these plans are expensed as incurred.

(b) Early retirement benefits

Employee early retirement benefits are recognised in the year in which the Group enters into an agreement with the employee specifying the terms of early retirement or after the individual employee has been advised of the specific terms. The specific terms vary among the early retired employees depending on various factors including position, length of service and district of the employee concerned. Early retirement benefits falling due more than 12 months after the balance sheet date are discounted to present value.

(c) Housing benefits

All full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each year.

2.24 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Provisions for close down, restoration and environmental costs

One consequence of coal mining is land subsidence caused by the resettlement of the land at the mining sites. Depending on the circumstances, the Group may relocate inhabitants from the mining sites prior to conducting mining activities or the Group may compensate the inhabitants for losses or damage from close down and land subsidence after the sites have been mined. The Group may also be required to make payments for restoration, rehabilitation or environmental protection of the land after the sites have been mined.

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Close down and restoration costs are provided in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during mine development or during the production phase, based on the net present value of estimated future costs. The cost is capitalised where it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of close down. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision is included in borrowing costs.

Where there is a change in the expected decommissioning and restoration costs, an adjustment is recorded against the carrying value of the provision and related assets, and the effect is then recognised in the income statement on a prospective basis over the remaining life of the operation. Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The cost estimates are reviewed and revised at each balance sheet date to reflect changes in conditions.

2.26 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Revenue recognition (continued)

(a) Sales of goods

Revenue associated with the sale of coal, coal-chemical products, mining machinery and ancillary materials and other goods is recognised when the goods have been delivered to the customer. Delivery occurs when the products have been transported to the specific location, the risk of the inventories have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Sales of services

Revenue from sales of service is generally recognised in the accounting period in which the services are rendered.

(c) Rental income

Rental income from properties is recognised in the income statement on a straight-line basis over the term of the lease.

2.27 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.28 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.29 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants related to costs are deferred and recognised in the income statement over the periods necessary to match them with the related costs that they are intended to compensate.

Government grant relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2.31 Dividend distributions

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.32 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with IAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group's operations (such as export sales, imports of machinery and equipment, foreign currency deposits (Note 18(d)), trade and notes receivables (Note 16(c)) expose it to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar ("USD").

The Group historically has not used any derivative instruments to hedge exchange rate of USD and currently does not have a fixed policy to do so in the foreseeable future. If USD had appreciated/depreciated by 10% against RMB, the Group's post-tax profit for 2016 would have increased/decreased approximately by RMB15,347,000 (2015: RMB14,748,000), with all other variables held constant.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term interest bearing borrowings including long-term borrowings and long-term bonds. Borrowings at variable rates expose the Group to cash flow interest-rate risk while borrowings and long-term bonds at fixed rates expose the Group to fair value interest-rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions.The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates.

Other than those mentioned above, the Group's income and operating cash flows are substantially independent of changes in the market interest rates.

If interest rates on RMB-denominated borrowings at variable rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for 2016 would have been approximately RMB189,911,000 (2015: RMB197,356,000) lower/higher.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk mainly arises from cash and cash equivalents, trade and notes receivable, prepayments and other receivables, long-term receivables, loan to the related party under other non-current assets and the financial guarantees provided to the companies out of the Group.

The Group expects that there is no significant credit risk associated with cash at bank since they are principally deposited at state-owned banks and other listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on trade and notes receivable, prepayments and other receivables, long-term receivables and loan to the related party under other non-current assets. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

The Group manages the credit risk arising from the financial guarantees provided to the companies out of the Group by its regular supervision of the operation and financial condition of those companies. The face value of the financial guarantees as disclosed in Note 39 represents the maximum exposure of the Group in respect of the credit risk arising from the financial guarantees.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of borrowing facilities. Due to the dynamic nature of the underlying businesses, the Group maintains a reasonable level of cash and cash equivalents, and further supplements this by keeping committed credit lines available.

The Group's primary cash requirements have been for purchases of materials, machinery and equipment and payment of related debts. The Group finances its working capital requirements through a combination of funds generated from operations, bank loans, bonds and the net proceeds from the initial public offering.

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents (Note 18)) on the basis of expected cash flow.

As at 31 December 2016, the Group's current liabilities exceeded its current assets by approximately RMB16,874 million. Please refer to Note 2.1.1 for details.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the undiscounted cash outflow relating to the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Less than 1 year *RMB'000*	**Between 1 and 2 years** *RMB'000*	**Between 2 and 5 years** *RMB'000*	**Over 5 years** *RMB'000*	**Total** *RMB'000*
At 31 December 2016					
Bank borrowings	**25,587,885**	**14,919,783**	**21,553,483**	**14,727,313**	**76,788,464**
Bonds	**4,406,800**	**1,406,800**	**18,999,800**	**10,519,000**	**35,332,400**
Trade and other payables	**30,673,350**	**–**	**–**	**–**	**30,673,350**
Other long-term liabilities	**–**	**329,739**	**417,997**	**–**	**747,736**
Financial guarantees	**11,545,255**	**–**	**438,200**	**4,406,486**	**16,389,941**
Total	**72,213,290**	**16,656,322**	**41,409,480**	**29,652,799**	**159,931,891**
At 31 December 2015					
Bank borrowings	17,890,623	19,023,535	24,998,006	22,157,727	84,069,891
Bonds	19,254,300	1,406,800	19,887,600	11,038,000	51,586,700
Trade and other payables	31,764,068	–	–	–	31,764,068
Other long-term liabilities	–	256,461	322,958	107,463	686,882
Financial guarantees	–	–	279,500	5,565,049	5,844,549
Total	68,908,991	20,686,796	45,488,064	38,868,239	173,952,090

For information relating to the Group's financial guarantee contracts, please refer to Note 39.

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings' as shown in the consolidated balance sheet) and long-term bonds less cash and cash equivalents. Total capital is calculated as "equity" under China Accounting Standards for Business Enterprises plus net debt, which amounted to RMB190,601,735,000.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management (continued)

The gearing ratios at 31 December 2016 and 2015 were as follows:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Total borrowings and bonds	**98,535,029**	113,026,193
Less: cash and cash equivalents	**(9,893,779)**	(11,195,663)
Net debt	**88,641,250**	101,830,530
Total equity	**101,960,485**	100,017,203
Total capital	**190,601,735**	201,847,733
Gearing ratio	**47%**	50%

The decrease in the gearing ratio during 2016 resulted primarily due to the repayments of borrowings and bonds in 2016.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

As at 31 December 2016, the Group has the following assets which were defined as level 1.

	As at 31 December 2016 *RMB'000*	As at 31 December 2015 *RMB'000*
Available-for-sale financial assets		
– Equity securities (level 1)	**18,627**	20,790

Financial instruments in level 1

The fair value of financial instruments traded in active market is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of non-current assets

Non-current assets, including property, plant and equipment, land use rights, mining rights and exploration rights and intangible assets, are carried at cost less accumulated amortisation. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations and financial position.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(a) Impairment of non-current assets (continued)

Impairment assessment of non-current assets in the coal segment

Due to volatile coal price and the impact of Chinese government's policies to reduce capacity in the coal industry, based on management's assessment, the Group's non-current assets amounted to RMB67 billion, including mining rights, property, plant and equipment, land use rights, intangible assets and other non-current assets related to four cash generating units ("CGUs") in the coal segment, had indicators of impairment as at 31 December 2016.

Management performed impairment tests on such CGUs with impairment indicators. The recoverable amount of the CGU is the higher of fair value less costs of disposal and value in use. Key assumptions adopted in the discounted cash flow models for determining the value in use and their basis include:

- Future coal price: based on current market price and management's analysis of factors that may have impact on coal market;

- Coal production volume: based on management's production plan and limited by designed capacity and permitted capacity;

- Coal production costs: for coal mines in production phase, based on historical production costs and taking into account the factors that may have impact on future production costs; for coal mines in development phase, based on estimated production costs in the mine design documents;

- Capital expenditures: based on latest budget and historical data of fixed asset replacement;

- Discount rates: weighted average cost of capital reflecting the specific risk to the CGU.

According to the result of the impairment tests, the value in use of the above CGUs are greater than their carrying amounts as at 31 December 2016, and therefore no impairment provisions were recognised. However, if future events do not correspond to the above mentioned assumptions, the recoverable amounts will need to be revised, and this may have a significant impact on the Group's results of operations and financial position.

(b) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(c) Coal reserve estimates

Coal reserves are estimates of the amount of product that can be economically and legally extracted from the Group's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand and commodity prices.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

Because the economic assumptions used to estimate reserves changes from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

– Carrying values of assets may be affected due to changes in estimated future cash flows.

– Depreciation, depletion and amortisation charged in the income statement may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.

– Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

– The carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of the tax benefits.

(d) Trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the provision at each balance sheet date.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(e) Income taxes

The Group is subject to income taxes in numerous jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will be reflected in the income tax and deferred tax provisions in the period in which such determination is made. In addition, the realisation of deferred income tax assets is dependent on the Group's ability to generate sufficient taxable income in future years to utilise income tax benefits and income tax loss carry-forward. Deviations of future profitability from estimates or in the income tax rate would result in adjustments to the value of income tax assets and liabilities that could have a significant effect on earnings.

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

The provision for close down, restoration and environmental costs is determined by management based on the past experience and best estimation of future expenditures, taking into account existing relevant PRC regulations. However, in so far as the effect on the land and the environment from current mining activities becomes apparent in future years, the estimate of the associated costs may be subject to revision from time to time.

(g) Deferred stripping costs

The accounting for stripping costs of open-pit mines is based on management's estimate of whether there are future benefits associated with the stripping activities incurred. The estimate may be influenced by changes of actual geological conditions, coal reserves and management's future production plans.

5. SEGMENT INFORMATION

5.1 General information

(a) Factors that management used to identify the entity's reportable segments

The CODM has been identified as the President Office (總裁辦公會).

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

5. SEGMENT INFORMATION (CONTINUED)

5.1 General information (continued)

(b) Reportable segments

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

- Coal – production and sales of coal;
- Coal-chemical – production and sales of coal-chemical products;
- Mining machinery – manufacturing and sales of mining machinery;
- Finance – providing deposit, loan, bill acceptance and discount and other financial services to the entities within the Group and China Coal Group.

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016
(All amounts in RMB unless otherwise stated)

5. SEGMENT INFORMATION (CONTINUED)

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

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

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

5. SEGMENT INFORMATION (CONTINUED)

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

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

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

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

5. SEGMENT INFORMATION (CONTINUED)

5.3 Geographical information

Analysis of revenue

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

Note:

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

Analysis of non-current assets

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

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

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Mining structures	Plant, machinery and equipment	Railway structures	Motor vehicles, fixtures and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2015							
Opening net book amount	22,769,018	13,583,211	33,341,591	2,685,192	1,421,977	52,566,344	126,367,333
Disposal of subsidiaries	(455,822)	–	(426,066)	–	(2,706)	(1,376,599)	(2,261,193)
Additions	112,234	1,366,896	399,470	4,083	202,892	10,862,155	12,947,730
Transfers upon completion of construction	8,413,095	230,683	11,339,661	434,942	58,983	(20,477,364)	–
Transfer to land use rights, mining rights and intangible assets	–	–	–	–	–	(1,413,227)	(1,413,227)
Transfer to investment properties	(538)	–	–	–	–	–	(538)
Reclassification	–	–	–	(75,337)	–	–	(75,337)
Disposals	(23,006)	(6,355)	(43,333)	–	(36,970)	–	(109,664)
Depreciation charges *(Note 29)*	(1,282,767)	(824,470)	(4,069,471)	(91,938)	(346,494)	–	(6,615,140)
Provision for impairment	(11,439)	–	(23,354)	–	–	–	(34,793)
Closing net book amount	29,520,775	14,349,965	40,518,498	2,956,942	1,297,682	40,161,309	128,805,171
At 31 December 2015							
Cost	35,159,665	20,789,043	63,436,330	3,448,918	2,991,288	40,161,309	165,986,553
Accumulated depreciation	(5,533,291)	(6,437,908)	(22,882,068)	(491,976)	(1,623,692)	–	(36,968,935)
Impairment provision	(105,599)	(1,170)	(35,764)	–	(69,914)	–	(212,447)
Net book amount	29,520,775	14,349,965	40,518,498	2,956,942	1,297,682	40,161,309	128,805,171
Year ended 31 December 2016							
Opening net book amount	**29,520,775**	**14,349,965**	**40,518,498**	**2,956,942**	**1,297,682**	**40,161,309**	**128,805,171**
Additions	**232,654**	**1,005,207**	**340,709**	**14,608**	**47,447**	**8,281,029**	**9,921,654**
Transfers upon completion of construction	**1,811,996**	**738,629**	**1,233,327**	**308,371**	**30,242**	**(4,122,565)**	**–**
Transfer from mining rights	**–**	**–**	**12,379**	**–**	**–**	**–**	**12,379**
Transfer to land use rights and intangible assets	**–**	**–**	**(56,141)**	**–**	**–**	**(347,629)**	**(403,770)**
Transfer to investment properties	**(4,861)**	**–**	**–**	**–**	**–**	**–**	**(4,861)**
Reclassification	**(99,873)**	**–**	**99,184**	**–**	**689**	**–**	**–**
Disposals	**(47,298)**	**–**	**(3,179)**	**–**	**(23,417)**	**(765,597)**	**(839,491)**
Disposal of subsidiaries	**(798,499)**	**(110,779)**	**(1,411,900)**	**–**	**(15,690)**	**(39,459)**	**(2,376,327)**
Others	**–**	**–**	**(97,621)**	**(164,912)**	**–**	**97,621**	**(164,912)**
Depreciation charges *(Note 29)*	**(1,289,532)**	**(835,231)**	**(3,946,119)**	**(104,854)**	**(323,400)**	**–**	**(6,499,136)**
Provision for impairment	**–**	**–**	**(124,807)**	**–**	**–**	**(86,042)**	**(210,849)**
Closing net book amount	**29,325,362**	**15,147,791**	**36,564,330**	**3,010,155**	**1,013,553**	**43,178,667**	**128,239,858**
At 31 December 2016							
Cost	**35,642,792**	**22,047,349**	**61,305,557**	**3,606,985**	**2,863,647**	**43,178,667**	**168,644,997**
Accumulated depreciation	**(6,269,392)**	**(6,898,388)**	**(24,603,064)**	**(596,830)**	**(1,781,581)**	**–**	**(40,149,255)**
Impairment provision	**(48,038)**	**(1,170)**	**(138,163)**	**–**	**(68,513)**	**–**	**(255,884)**
Net book amount	**29,325,362**	**15,147,791**	**36,564,330**	**3,010,155**	**1,013,553**	**43,178,667**	**128,239,858**

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year ended 31 December 2016, the depreciation charges of the Group were recorded in cost of sales with an amount of RMB5,515,659,000 (2015: RMB5,974,694,000), selling, general and administrative expenses with an amount of RMB563,204,000 (2015: RMB526,779,000), construction in progress with an amount of RMB386,696,000 (2015: RMB91,656,000), and cost of inventories which remained unsold as at year end with an amount of RMB33,577,000 (2015: RMB22,011,000) respectively.

Bank borrowings are secured on property and plant, machinery and equipment for the value of RMB10,231,969,000 (2015: RMB15,254,282,000) (Note 21).

As at 31 December 2016, the Group was in process of applying the ownership certificates of buildings with net book amount of RMB4,730,318,000 (31 December 2015: RMB4,790,282,000).

7. LAND USE RIGHTS

	RMB'000
At 1 January 2015	
Cost	5,263,601
Accumulated amortisation	(571,055)
Impairment provision	(1,197)
Net book amount	4,691,349
Year ended 31 December 2015	
Opening net book amount	4,691,349
Additions	20,810
Transferred from property, plant and equipment	240,447
Reclassification	77,213
Disposal of subsidiaries	(35,188)
Amortisation charge	(105,371)
Closing net book amount	4,889,260

7. LAND USE RIGHTS (CONTINUED)

	RMB'000
At 31 December 2015	
Cost	5,566,883
Accumulated amortisation	(676,426)
Impairment provision	(1,197)
Net book amount	4,889,260
Year ended 31 December 2016	
Opening net book amount	4,889,260
Additions	98,682
Acquisition of a subsidiary *(Note 42)*	4,282
Transferred from property,plant and equipment	230,636
Other additions	24,638
Disposal of subsidiaries	(49,120)
Disposals	(26,526)
Transfer to other non-current assets	(13,573)
Amortisation charge	(119,960)
Closing net book amount	5,038,319
At 31 December 2016	
Cost	5,835,902
Accumulated amortisation	(796,386)
Impairment provision	(1,197)
Net book amount	5,038,319

As at 31 December 2016, bank borrowings are secured on land use rights for the value of RMB76,204,000 (2015: nil).

The Group's land use rights represent prepaid operating lease payments for leasehold land located in the PRC with lease periods of between 20 to 50 years.

The amortisation charges were recorded in cost of sales with an amount of RMB54,456,000 (2015: RMB52,706,000), selling, general and administrative expenses with an amount of RMB53,934,000 (2015: RMB41,850,000) and construction in progress with an amount of RMB10,683,000 (2015: RMB10,815,000) and cost of inventories which remained unsold as at year end with an amount of RMB887,000 (2015: nil).

As at 31 December 2016, the Group was in process of applying the ownership certificates of land use rights with net book amounts of RMB503,287,000 (31 December 2015: RMB432,917,000).

8. MINING RIGHTS AND EXPLORATION RIGHTS

	Mining Rights *RMB'000*	Exploration Rights *RMB'000*	Total *RMB'000*
At 1 January 2015			
Cost	16,408,229	19,810,110	36,218,339
Accumulated amortisation	(3,050,625)	–	(3,050,625)
Net book amount	13,357,604	19,810,110	33,167,714
Year ended 31 December 2015			
Opening net book amount	13,357,604	19,810,110	33,167,714
Additions	10,000	384	10,384
Transferred from property, plant and equipment	23,855	–	23,855
Amortisation charges	(358,146)	–	(358,146)
Closing net book amount	13,033,313	19,810,494	32,843,807
At 31 December 2015			
Cost	16,442,084	19,810,494	36,252,578
Accumulated amortisation	(3,408,771)	–	(3,408,771)
Net book amount	13,033,313	19,810,494	32,843,807
Year ended 31 December 2016			
Opening net book amount	**13,033,313**	**19,810,494**	**32,843,807**
Additions	**34**	**1,156,655**	**1,156,689**
Disposal of subsidiaries	**(53,147)**	**–**	**(53,147)**
Transfer to property, plant and equipment	**(12,379)**	**–**	**(12,379)**
Amortisation charges	**(261,024)**	**–**	**(261,024)**
Closing net book amount	**12,706,797**	**20,967,149**	**33,673,946**
At 31 December 2016			
Cost	**16,251,649**	**20,967,149**	**37,218,798**
Accumulated amortisation	**(3,544,852)**	**–**	**(3,544,852)**
Net book amount	**12,706,797**	**20,967,149**	**33,673,946**

As at 31 December 2016, bank borrowings are secured on mining and exploration rights for the value of RMB300,000,000 (2015:nil).

The amortisation charges were mainly recorded in cost of sales for the years ended 31 December 2016 and 2015.

9. INTANGIBLE ASSETS

	Technical know-how *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2015			
Cost	–	358,442	358,442
Accumulated amortisation	–	(94,148)	(94,148)
Net book amount	–	264,294	264,294
Year ended 31 December 2015			
Opening net book amount	–	264,294	264,294
Transferred from property, plant and equipment	901,117	247,808	1,148,925
Additions	–	32,528	32,528
Disposal of a subsidiary	–	(9,030)	(9,030)
Amortisation charge	(45,056)	(28,627)	(73,683)
Closing net book amount	856,061	506,973	1,363,034
At 31 December 2015			
Cost	901,117	629,748	1,530,865
Accumulated amortisation	(45,056)	(122,775)	(167,831)
Net book amount	856,061	506,973	1,363,034
Year ended 31 December 2016			
Opening net book amount	**856,061**	**506,973**	**1,363,034**
Additions	**4,959**	**20,816**	**25,775**
Acquisition of a subsidiary *(Note 42)*	**17,600**	**–**	**17,600**
Transferred from property, plant and equipment	**170,686**	**2,448**	**173,134**
Disposals	**–**	**(127)**	**(127)**
Disposal of subsidiaries	**–**	**(18,275)**	**(18,275)**
Other decreases	**(4,888)**	**(19,750)**	**(24,638)**
Amortisation charge	**(57,578)**	**(35,641)**	**(93,219)**
Closing net book amount	**986,840**	**456,444**	**1,443,284**
At 31 December 2016			
Cost	**1,089,474**	**614,860**	**1,704,334**
Accumulated amortisation	**(102,634)**	**(158,416)**	**(261,050)**
Net book amount	**986,840**	**456,444**	**1,443,284**

The amortisation charge was mainly recorded in cost of sales and selling, general and administrative expenses for the years ended 31 December 2016 and 2015.

Other intangible assets mainly include emission rights and computer softwares.

10(a) SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2016:

(a) Principal subsidiaries

Company name	Place of incorporation	Registered capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Held by non-controlling interests	Principal activities and place of operation	Type of legal entity
Listed –							
Shanghai Datun Energy Resources Company Limited (上海大屯能源股份有限公司)	Shanghai, the PRC	RMB722,718,000	62.43%	62.43%	37.57%	Coal mining and Sale of coal in Peixian, the PRC	Joint stock with limited liability
Unlisted –							
China Coal Pingshuo Group Company Limited ("Pingshuo") (中煤平朔集團有限公司)	Shuozhou, the PRC	RMB20,845,658,000	100%	100%	–	Coal mining and Sale of coal in Shuozhou, the PRC	Limited liability company
China National Coal Mining Equipment Company Limited (中國煤礦機械裝備有限責任公司)	Beijing, the PRC	RMB7,627,897,469	100%	100%	–	Design, manufacture and Sale of coal mining machinery and equipment in Zhangjiakou, Beijing, the PRC	Limited liability company
China Coal and Coke Holdings Limited (中煤焦化控股有限責任公司)	Beijing, the PRC	RMB1,048,813,800	100%	100%	–	Sale of coke in Beijing, Tianjin and Taiyuan, the PRC	Limited liability company
Shanxi China Coal Huajin Energy Company Limited (山西中煤華晉能源有限責任公司)	Taiyuan, the PRC	RMB5,561,294,515	51%	51%	49%	Coal mining and Sale of coal in Hejin, the PRC	Limited liability company
China National Coal Development Company Limited (中國煤炭開發有限責任公司)	Beijing, the PRC	RMB100,000,000	100%	100%	–	Trading of mining equipment in Beijing, the PRC	Limited liability company
China Coal Tendering Company Limited (中煤招標有限責任公司)	Beijing, the PRC	RMB50,000,000	100%	100%	–	Tendering services in Beijing, the PRC	Limited liability company

10(a) SUBSIDIARIES (CONTINUED)

(a) Principal subsidiaries (continued)

Company name	Place of incorporation	Registered capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Held by non-controlling interests	Principal activities and place of operation	Type of legal entity
China Coal Xing'an Energy Chemical Engineering Company Limited (中煤興安能源化工有限公司)	Ulanhot, the PRC	RMB500,000,000	100%	100%	–	Coal chemical in Ulanhot, the PRC	Limited liability company
China Coal Ordos Energy Chemical Company Limited (中煤鄂爾多斯能源化工有限公司)	Ordos, the PRC	RMB4,193,424,800	100%	100%	–	Coal chemical in Ordos, the PRC	Limited liability company
Sunfield Resources Pty. Limited (華光資源有限公司)	Sydney, Australia	AUD500,000	100%	100%	–	Investment management, trading of coal and coke in Sydney, Australia	Limited liability company
Shuozhou Great Company Limited (朔州市格瑞特實業有限公司)	Shuozhou, the PRC	RMB425,409,000	100%	100%	–	Coal gangue power generation in Shuozhou, the PRC	Limited liability company
Shuozhou China Coal Pingshuo Energy Company Limited (朔州中煤平朔能源有限公司)	Shuozhou, the PRC	RMB232,190,000	100%	100%	–	Processing and sale of coal in Shuozhou, the PRC	Limited liability company
Shaanxi Nanliang Coal Company Limited (陝西南梁礦業有限公司)	Fugu, the PRC	RMB400,776,800	55%	55%	45%	Mining and Sale of coal in Fugu, the PRC	Limited liability company
Datong China Coal Export Base Development Company Limited (大同中煤出口煤基地建設有限公司)	Datong, the PRC	RMB125,000,000	19%	60%	40%	Processing and sale of coal in Datong, the PRC	Sino-foreign joint venture
China Coal Heilongjiang Coal Chemical Engineering Company Limited (中煤能源黑龍江煤化工有限公司)	Yilan, the PRC	RMB2,474,873,500	100%	100%	–	Coal mining and sale of coal in Yilan, the PRC	Limited liability company
Shanxi China Coal Dongpo Coal Industry Company Limited (山西中煤東坡煤業有限公司)	Shuozhou, the PRC	RMB1,111,488,600	100%	100%	–	Coal mining and sale of coal in Shuozhou, the PRC	Limited liability company

10(a) SUBSIDIARIES (CONTINUED)

(a) Principal subsidiaries (continued)

Company name	Place of incorporation	Registered capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Held by non-controlling interests	Principal activities and place of operation	Type of legal entity
China Coal Xinjiang Coal Electricity Chemical Company Limited (中煤能源新疆煤電化有限公司)	Jimsar County in Changji Prefecture, the PRC	RMB800,000,000	60%	60%	40%	Coal chemical in Jimsar County in Changji Prefecture, the PRC	Limited liability company
China Coal Hami Coal Industry Company Limited (中煤能源哈密煤業有限公司)	Hami, the PRC	RMB614,766,400	100%	100%	–	Coal mining and Sale of coal in Hami, the PRC	Limited liability company
Inner Mongolia China Coal Mengda New Energy & Chemical Industry Company Limited (內蒙古中煤蒙大新能源化工有限公司)	Ordos, the PRC	RMB3,198,601,000	100%	100%	–	Manufacture and sale of coal chemical products in Ordos, the PRC	Limited liability company
Wushenqi Mengda Mining Company Limited (烏審旗蒙大礦業有限責任公司)	Ordos, the PRC	RMB854,000,000	66%	66%	34%	Coal mining and sale of coal in Ordos, the PRC	Limited liability company
Ordos Yihua Mining Resources Company Limited (鄂爾多斯市伊化礦業資源有限責任公司)	Ordos, the PRC	RMB1,274,087,300	51%	51%	49%	Coal mining and sale of coal in Ordos, the PRC	Limited liability company
Guangzhou China Coal South China Trading Company Limited (廣州中煤華南銷售有限公司)	Guangzhou, the PRC	RMB10,000,000	100%	100%	–	Wholesale coal products in Guangdong, the PRC	Limited liability company
China Coal Shaanxi Yulin Energy & Chemical Company Limited ("Shaanxi Yulin") (中煤陝西榆林能源化工有限公司)	Yulin, the PRC	RMB9,369,060,000	100%	100%	–	Manufacture and sale of coal chemical products in Yulin, the PRC	Limited liability company
Ordos Yinhe Hongtai Coal Power Company Limited (鄂爾多斯市銀河鴻泰煤電有限公司)	Ordos, the PRC	RMB94,493,800	78.84%	78.84%	21.16%	Coal mine development in Ordos, the PRC	Limited liability company

10(a) SUBSIDIARIES (CONTINUED)

(a) Principal subsidiaries (continued)

Company name	Place of incorporation	Registered capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Held by non-controlling interests	Principal activities and place of operation	Type of legal entity
Shanxi Puxian China Coal Jinchang Mining Company Limited (山西蒲縣中煤晉昶礦業有限責任公司)	Linfen, the PRC	RMB50,000,000	51%	51%	49%	Coal mine development in Linfen, the PRC	Limited liability company
China Coal Sales and Transportation Company Limited (中國煤炭銷售運輸有限責任公司)	Beijing, the PRC	RMB3,197,361,498	100%	100%	–	Sale of coal products and other related products in Shanghai, Guangdong, Shandong, Qinhuangdao, the PRC	Limited liability company
Shanxi Zhongxin Tangshangou Coal Industry Company Limited (山西中新唐山溝煤業有限責任公司)	Datong, the PRC	RMB16,350,000	80%	80%	20%	Coal mining and sale of coal in Datong, the PRC	Limited liability company
Shanxi Puxian China Coal Yushuo Mining Company Limited (山西蒲縣中煤禹碩礦業有限責任公司)	Linfen, the PRC	RMB50,000,000	63%	63%	37%	Coal mine development in Linfen, the PRC	Limited liability company
Inner Mongolia China Coal Yuanxing Energy Chemical Company Limited (內蒙古中煤遠興能源化工有限公司)	Ordos, the PRC	RMB1,032,399,000	75%	75%	25%	Manufacture and sale of coal chemical products in Ordos, the PRC	Limited liability company
China Coal Finance Co., LTD. (China Coal Finance) (中煤財務有限責任公司)	Beijing, the PRC	RMB3,000,000,000	91%	91%	9%	Finance in Beijing, the PRC	Limited liability company

Notes:

(a) Except for the Sunfield Resources Pty Limited, other subsidiaries have adopted 31 December as their financial year end date.

10(a) SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests

The total non-controlling interest for the year is RMB16,066,828,000 (2015: RMB16,574,854,000). The material non-controlling interests are set out below.

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Subsidiaries with material non-controlling interest		
Shanghai Datun Energy Resources Co., Limited ("Shanghai Datun")	**3,438,520**	3,241,555
Shanxi China Coal Huajin Energy Company Limited ("China Coal Huajin")	**3,560,115**	3,579,612
Wushenqi Mengda Mining Resources Company ("Mengda Mining")	**1,217,906**	1,219,847
Ordos Yihua Mining Resources Company Limited ("Yihua Mining")	**1,894,675**	1,818,673
	10,111,216	9,859,687

There are no significant restrictions on the ability of subsidiaries to transfer funds to the Company.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below is the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

Summarised balance sheet

	Shanghai Datun		China Coal Huajin		Mengda Mining		Yihua Mining	
	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*	**31 December 2016** *RMB'000*	31 December 2015 *RMB'000*	**31 December 2016** *RMB'000*	31 December 2015 *RMB'000*	**31 December 2016** *RMB'000*	31 December 2015 *RMB'000*
Current assets	**2,711,067**	2,190,129	**4,166,286**	2,675,952	**696,103**	768,601	**314,528**	538,182
Non-current assets	**12,105,927**	12,433,764	**11,025,735**	13,131,849	**10,179,093**	9,756,387	**9,580,653**	8,961,525
	14,816,994	14,623,893	**15,192,021**	15,807,801	**10,875,196**	10,524,988	**9,895,181**	9,499,707
Current liabilities	**3,265,231**	3,620,255	**3,764,821**	3,550,399	**2,056,360**	3,536,404	**1,466,746**	3,197,832
Non-current liabilities	**1,998,361**	1,834,575	**3,414,706**	4,297,549	**5,236,758**	3,400,798	**4,561,753**	2,590,297
	5,263,592	5,454,830	**7,179,527**	7,847,948	**7,293,118**	6,937,202	**6,028,499**	5,788,129
Net assets	**9,553,402**	9,169,063	**8,012,494**	7,959,853	**3,582,078**	3,587,786	**3,866,682**	3,711,578

10(a) SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (continued)

Summarised financial information on subsidiaries with material non-controlling interests (continued)

Summarised income statement and statement of comprehensive income

	Shanghai Datun		China Coal Huajin		Mengda Mining		Yihua Mining	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	**5,179,540**	4,960,393	**4,910,236**	3,674,664	**22,008**	24,425	**1,362**	1,316
Profit/(loss) before income tax	**439,860**	(33,493)	**2,228,865**	1,036,358	**(5,708)**	(5,957)	**(1,547)**	(5,102)
Income tax expense	**39,931**	67,371	**604,415**	287,412	**–**	727	**–**	1,701
Profit/(loss) for the year	**399,929**	(100,864)	**1,624,450**	748,946	**(5,708)**	(6,684)	**(1,547)**	(6,803)
Total comprehensive income/(loss) for the year	**399,929**	(100,864)	**1,624,450**	748,946	**(5,708)**	(6,684)	**(1,547)**	(6,803)
Total comprehensive (loss)/ income allocated to non-controlling interests	**(55,463)**	(58,026)	**197,862**	179,618	**(1,941)**	(2,273)	**(758)**	(3,333)
Dividends paid to non-controlling interests	**–**	–	**139,945**	–	**–**	–	**–**	–

10(a) SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (continued)

Summarised financial information on subsidiaries with material non-controlling interests (continued)

Summarised cash flows

	Shanghai Datun		China Coal Huajin		Mengda Mining		Yihua Mining	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Cash flows from operating activities								
Cash generated/(used) from operations	**1,374,831**	695,266	**2,090,264**	1,337,432	**147,052**	(498,509)	**232,828**	(114,479)
Income tax paid	**(18,762)**	(37,432)	**(598,035)**	(271,875)	**–**	(727)	**–**	–
Net cash generated/(used) from operating activities	**1,356,069**	657,834	**1,492,229**	1,065,557	**147,052**	(499,236)	**232,828**	(114,479)
Net cash used in investing activities	**178,702**	(849,665)	**(223,282)**	(912,360)	**(216,650)**	(313,727)	**(390,556)**	(435,194)
Net cash (used)/generated from financing activities	**(1,016,878)**	195,605	**(1,121,104)**	(474,287)	**67,814**	812,587	**154,281**	550,333
Net increase/(decrease) in cash and cash equivalents	**517,893**	3,774	**147,843**	(321,090)	**(1,784)**	(376)	**(3,447)**	660
Cash and cash equivalents, at beginning of the year	**149,735**	145,961	**176,995**	498,085	**1,865**	2,241	**3,671**	3,011
Cash and cash equivalents at end of the year	**667,628**	149,735	**324,838**	176,995	**81**	1,865	**224**	3,671

The information above is the amount before inter-company eliminations.

10(b) INVESTMENTS IN ASSOCIATES

	2016	2015
	RMB'000	*RMB'000*
Beginning of the year	**11,221,621**	10,135,191
Additions	**615,335**	1,739,620
Acquisition of non-controlling interests	**(56,944)**	–
Transfer to available-for-sale financial assets	**–**	(829,328)
Share of profits	**437,666**	381,697
Dividends	**(209,113)**	(205,559)
End of the year	**12,008,565**	11,221,621

Set out below are the associates of the Group as at 31 December 2016, which, in the opinion of the directors, are material to the Group. All of the associates are unlisted and there are no quoted market price available for their shares. The country of incorporation or registration is also their principal place of business.

Nature of investment in material associates as at 31 December 2016 and 2015

Name of entity	**Place of business/country of incorporation**	**% of ownership interest**	**Measurement method**
Zhongtian Synergetic Energy Company Limited ("Zhongtian Synergetic")	Ordos, the PRC	38.75%	Equity
Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited ("Shaanxi Yanchang")	Yulin, the PRC	30.00%	Equity

Save as disclosed in Note 41(b), there are no commitment and contingent liabilities relating to the Group's interests in the associates.

10(b) INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised financial information for associates

Set out below are the summarised financial information for associates which are material to the Group and accounted for using the equity method.

Summarised balance sheet

	Zhongtian Synergetic		Shaanxi Yanchang	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current				
Cash and cash equivalents	**3,750,813**	5,080,753	**339,044**	217,659
Other current assets (excluding cash)	**3,699,800**	5,087,223	**2,410,662**	2,537,809
Total current assets	**7,450,613**	10,167,976	**2,749,706**	2,755,468
Financial liabilities (excluding trade payables)	**(2,180,000)**	(8,610,000)	**(3,450,000)**	(2,950,000)
Other current liabilities (including trade payables)	**(5,886,798)**	(7,925,884)	**(1,687,755)**	(4,889,949)
Total current liabilities	**(8,066,798)**	(16,535,884)	**(5,137,755)**	(7,839,949)
Non-current				
Assets	**50,269,566**	37,708,521	**23,106,488**	26,638,747
Financial liabilities	**(30,094,206)**	(13,293,713)	**(12,690,345)**	(14,385,966)
Other liabilities	**(2,043,223)**	(2,112,949)	**–**	–
Total non-current liabilities	**(32,137,429)**	(15,406,662)	**(12,690,345)**	(14,385,966)
Net assets	**17,515,952**	15,933,951	**8,028,094**	7,168,300

Summarised income statement and statement of comprehensive income

	Zhongtian Synergetic		Shaanxi Yanchang	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	**–**	–	**8,987,467**	3,920,854
Profit before income tax	**–**	–	**859,794**	185,269
Post-tax profit for the year	**–**	–	**859,794**	174,141
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income for the year	**–**	–	**859,794**	174,141

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

10(b) INVESTMENTS IN ASSOCIATES (CONTINUED)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in associates

	Zhongtian Synergetic		Shaanxi Yanchang	
Summarised financial information	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Opening net assets at 1 January	**15,933,951**	12,933,951	**7,168,300**	6,994,159
Profit for the year	**–**	–	**859,794**	174,141
Investment from shareholders	**1,582,001**	3,000,000	**–**	–
Closing net assets at 31 December	**17,515,952**	15,933,951	**8,028,094**	7,168,300
Interest in associates (38.75%, 30%)	**6,787,431**	6,174,406	**2,408,428**	2,150,489
Carrying value	**6,787,431**	6,174,406	**2,408,428**	2,150,489

10(c) INVESTMENTS IN JOINT VENTURES

	2016	2015
	RMB'000	*RMB'000*
Beginning of the year	**1,878,577**	670,812
Additions	**–**	1,232,407
Share of change in reserves	**–**	(3,344)
Share of profit/(loss)	**170,342**	(19,385)
Dividends	**(28,756)**	(1,913)
End of the year	**2,020,163**	1,878,577

All of the joint ventures are unlisted and there is no quoted market price available for their shares.

Save as disclosed in Note 41(b), there are no commitment and contingent liabilities relating to the Group's interests in the joint ventures.

10(c) INVESTMENTS IN JOINT VENTURES (CONTINUED)

Nature of investment in a material joint venture as at 31 December 2016 and 2015:

Name of entity	Place of business/country of incorporation	% of ownership interest	Measurement method
Yan'an Hecaogou Coal Company Limited ("Hecaogou Coal")	Yan'an, the PRC	50.00%	Equity

Summarised financial information for joint ventures

Set out below are the summarised financial information for a joint venture which are material to the Group and accounted for using the equity method.

Summarised balance sheet

	Hecaogou Coal	
	31 December 2016	31 December 2015
	RMB'000	*RMB'000*
Current		
Cash and cash equivalents	**15,022**	102,935
Other current assets (excluding cash)	**224,695**	189,088
Total current assets	**239,717**	292,023
Financial liabilities (excluding trade payables)	**(1,300,000)**	(1,550,000)
Other current liabilities (including trade payables)	**(422,096)**	(325,189)
Total current liabilities	**(1,722,096)**	(1,875,189)
Non-current		
Assets	**4,517,160**	4,490,124
Financial liabilities	**(250,000)**	(250,000)
Other liabilities	**(270,852)**	(299,801)
Total non-current liabilities	**(520,852)**	(549,801)
Net assets	**2,513,929**	2,357,157

10(C) INVESTMENTS IN JOINT VENTURES (CONTINUED)

Summarised financial information for joint ventures (continued)

Summarised income statement and statement of comprehensive income/(loss)

	Hecaogou Coal	
	2016	2015
	RMB'000	*RMB'000*
Revenue	**1,172,087**	728,055
Depreciation and amortisation	**(156,144)**	(141,185)
Interest income	**880**	3,623
Interest expense	**(113,211)**	(119,678)
Profit/(loss) before income tax	**193,776**	(36,053)
Income tax expense	**(37,004)**	(101)
Post-tax profit/(loss)	**156,772**	(36,154)
Total comprehensive income/(loss)	**156,772**	(36,154)

The information above reflects the amounts presented in the financial statements of the joint venture (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the joint venture.

Reconciliation of summarised financial information

	Hecaogou Coal	
	31 December	31 December
Summarized financial information	**2016**	2015
	RMB'000	*RMB'000*
Opening net assets at 1 January	**2,357,157**	–
Profit/(loss) for the period	**156,772**	(36,154)
Investment from shareholders	**–**	2,400,000
Others	**–**	(6,689)
Closing net assets at 31 December	**2,513,929**	2,357,157
Interest in joint venture (50%)	**1,256,965**	1,178,579
Carrying value	**1,256,965**	1,178,579

11. FINANCIAL INSTRUMENTS

	31 December 2016		
	Loans and receivables	**Available-for-sale financial assets**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Assets as per balance sheet			
Available-for-sale financial assets	**–**	**5,467,784**	**5,467,784**
Trade and other receivables excluding prepayments	**19,422,660**	**–**	**19,422,660**
Long-term receivables	**285,342**	**–**	**285,342**
Restricted bank deposits and term deposits	**5,374,623**	**–**	**5,374,623**
Cash and cash equivalents	**9,893,779**	**–**	**9,893,779**
Total	**34,976,404**	**5,467,784**	**40,444,188**

	Financial liabilities at amortised cost
	RMB'000
Liabilities as per balance sheet	
Borrowings	**66,231,774**
Trade and other payables	**30,673,350**
Other long-term liabilities	**698,841**
Bonds	**28,900,417**
Total	**126,504,382**

	31 December 2015		
	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*
Assets as per balance sheet			
Available-for-sale financial assets	–	5,566,926	5,566,926
Trade and other receivables excluding prepayments	19,900,173	–	19,900,173
Long-term receivables	245,524	–	245,524
Restricted bank deposits and term deposits	21,002,298	–	21,002,298
Cash and cash equivalents	11,195,663	–	11,195,663
Total	52,343,658	5,566,926	57,910,584

11. FINANCIAL INSTRUMENTS (CONTINUED)

	Financial liabilities at amortised cost *RMB'000*
Liabilities as per balance sheet	
Borrowings	70,157,103
Trade and other payables	31,764,068
Other long-term liabilities	683,092
Bonds	42,869,090
Total	145,473,353

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 *RMB'000*	2015 *RMB'000*
Beginning of the year	**5,566,926**	4,340,765
Additions	**40,000**	400,000
Transferred from investment in associates	**–**	829,328
Disposal	**(1,100)**	(2,004)
Decrease in fair value	**(2,163)**	(1,163)
Impairment provision	**(135,879)**	–
End of the year	**5,467,784**	5,566,926

Available-for-sale financial assets include the following:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Listed securities:		
– equity securities, listed in the PRC, at fair value	**18,627**	20,790
Unlisted securities:		
– equity securities, at cost *(Note)*	**5,449,157**	5,546,136
	5,467,784	5,566,926

Note: These investments carried at cost represented investments in equity shares of unlisted entities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

13. LONG-TERM RECEIVABLES

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Entrusted loans to a joint venture	**–**	102,000
Finance lease receivables	**138,204**	–
Others	**147,138**	143,524
Total	**285,342**	245,524

The long-term receivables are neither past due nor impaired as at 31 December 2016 and 2015. The carrying amounts of long-term receivables approximate their fair values.

14. OTHER NON-CURRENT ASSETS

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Prepayments for long-term investments *(Note (a))*	**2,535,856**	2,408,844
Prepayments for mining rights and exploration rights *(Note (b))*	**1,357,195**	2,382,715
Prepayments for constructions in progress and equipment *(Note (c))*	**31,293**	136,451
Prepayments for land use rights	**833,028**	144,086
Deductible value added tax	**511,297**	580,180
Loan to fellow subsidiaries *(Note (d))*	**811,800**	316,800
Prepaid income tax	**282,071**	339,372
Others	**534,903**	408,248
Total	**6,897,443**	6,716,696

Notes:

(a) In line with the Group's strategy of expanding its coal resources, The Group has entered into a series of agreements for the acquisitions and restructuring of several local coal mines. As the relevant legal procedures are still in process, such payments are recorded as other non-current assets.

(b) As the relevant legal procedures related to mining rights and exploration licenses are still in process, such payments are recorded as other non-current assets. These prepayments will be transferred to mining rights and exploration rights upon completion of related legal procedures.

(c) As at 31 December 2016, the amounts of prepayment to fellow subsidiaries for purchasing property, plant and equipment amounted to RMB2,570,000 (2015: RMB5,239,000), which are unsecured and interest-free.

(d) The loans to fellow subsidiaries are unsecured and repayable after 12 months from the balance sheet date with the interest rate of 4.75% per annum.

15. INVENTORIES

	31 December 2016 RMB'000	31 December 2015 RMB'000
Coal	**830,731**	712,240
Machinery for sale	**3,515,319**	3,135,910
Coal chemical products	**632,827**	439,572
Auxiliary materials, spare parts and tools	**2,412,022**	2,537,326
	7,390,899	6,825,048

The provisions for impairment of inventories of the Group amounted to RMB106,879,000 as at 31 December 2016 (2015: RMB260,440,000).

16. TRADE AND NOTES RECEIVABLES

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

Notes:

(a) Trade receivables are analysed as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Trade receivables		
– Associates	**245,209**	210,548
– Jointly ventures	**77,063**	48,900
– Fellow subsidiaries	**1,141,886**	1,157,681
– Third parties	**6,194,741**	8,262,701
Trade receivables, net	**7,658,899**	9,679,830

16. TRADE AND NOTES RECEIVABLES (CONTINUED)

Notes: (continued)

(a) Trade receivables are analysed as follows: (continued)

As at 31 December 2016 and 2015, aging analysis of trade receivables based on invoice date is as follows:

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

Movements of the provision for impairment of trade receivables are as follows:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Beginning of the year	**489,467**	448,843
Provision for impairment of receivables	**135,866**	60,071
Reversal of provision for impairment of receivables	**(4,102)**	(3,215)
Receivables written off during the year as uncollectable	**(9,068)**	(934)
Disposal of subsidiaries	**(86,978)**	(15,298)
At the end of the year	**525,185**	489,467

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

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

The Group does not hold any collateral as security.

Trade receivables from related parties are unsecured, interest-free and repayable on demand in accordance with the relevant contract entered into between the Group and the related parties.

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

As at 31 December 2016, bank accepted notes of RMB2,504,514,000 were endorsed to suppliers of the Group or banks but were not derecognised as these bank accepted notes were issued by smaller banks.

16. TRADE AND NOTES RECEIVABLES (CONTINUED)

Notes: (continued)

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

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
RMB	**14,377,018**	13,197,009
USD	**80,847**	71,933
	14,457,865	13,268,942

(d) The carrying amounts of trade and notes receivables approximate their fair values.

(e) As at 31 December 2016, notes receivables with amount of RMB298,331,000 (2015: RMB323,162,000) are pledged to banks for notes payables amounted to RMB296,952,000 (2015: RMB323,162,000).

As at 31 December 2016, notes receivables with amount of RMB199,883,000 (2015:nil) are pledged to banks for short term loan amounted to RMB199,883,000 (2015: nil).

As at 31 December 2016, trade receivables with amount of RMB37,926,000 (2015:nil) are pledged to banks for short term loan amounted to RMB35,000,000 (2015: nil).

17. PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Advances to suppliers *(note (a))*	**1,292,869**	1,292,701
Entrusted loans *(note (b))*	**1,462,000**	3,000,000
Interest receivable	**74,698**	255,809
Dividends receivable	**85,970**	40,175
Loans to fellow subsidiaries *(note (c))*	**1,188,000**	277,200
Other amounts due from related parties, gross *(note (d))*	**1,210,551**	1,987,971
Other amounts due from third parties, gross *(note (e))*	**2,488,131**	3,197,385
	7,802,219	10,051,241
Less: Impairment of prepayments and other receivables *(note (f))*	**(378,046)**	(324,613)
Prepayments and other receivables, net *(note (g))*	**7,424,173**	9,726,628

17. PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Notes:

(a) Advances to suppliers are analysed as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Advances to suppliers		
– Associates	**6,187**	898
– Fellow subsidiaries	**95,468**	218,259
– Third parties	**1,191,214**	1,073,544
	1,292,869	1,292,701

As at 31 December 2016 and 2015, advanced to related parties are unsecured and interest-free.

(b) Entrusted loans are analysed as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Entrusted loans		
– Joint ventures *(note (i))*	**1,352,000**	1,450,000
– An associate	**–**	1,550,000
– A fellow subsidiary *(note (ii))*	**110,000**	–
	1,462,000	3,000,000

notes:

(i) As at 31 December 2016, the entrusted loan to a joint venture amounted to RMB1,250,000,000 (2015: RMB1,450,000,000) is unsecured and repayable in 2017, of which RMB850,000,000 with an interest rate of 6.60% and RMB400,000,000 with an interest rate of 5.23% per annum (2015: 6.60%).

As at 31 December 2016, the entrusted loan to a joint venture amounted to RMB102,000,000 is unsecured and repayable in 2017 with an interest rate of 7.47% per annum.

(ii) As at 31 December 2016, the entrusted loan to a fellow subsidiary amounted to RMB110,000,000 is unsecured and repayable in 2017, of which RMB100,000,000 with an interest rate of 6.65% and RMB10,000,000 with an interest rate of 4.6% per annum.

(c) Loans to fellow subsidiaries are unsecured and repayable within 12 months from the balance sheet date with interest rates from 4.35% to 4.85% per annum (2015: from 4.35% to 6.16%).

(d) Other amounts due from related parties are analysed as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Amounts due from related parties, gross		
– Associates	**29,632**	31,403
– Fellow subsidiaries	**570,801**	1,956,568
– An associate of China Coal Group	**610,118**	–
	1,210,551	1,987,971
Less: Impairment of receivables	**(7,843)**	(7,860)
Amounts due from related parties, net	**1,202,708**	1,980,111

Other amounts due from related parties are unsecured, interest-free and repayable on demand.

17. PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(e) Aging analysis of other amounts due from third parties on each balance date is as follows:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Within 1 year	**1,438,029**	2,495,654
1 – 2 years	**489,628**	122,753
2 – 3 years	**59,912**	219,476
Over 3 years	**500,562**	359,502
Other amounts due from third parties, gross	**2,488,131**	3,197,385
Less: Impairment of receivables	**(349,610)**	(283,073)
Other amounts due from third parties, net	**2,138,521**	2,914,312

(f) The provision for impairment mainly relates to amounts due from third parties and related parties.

Movement of the provision for impairment of prepayment and other receivables are as follows:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
At the beginning of the year	**324,613**	601,985
Provision for impairment of receivables	**67,018**	22,114
Reversal of provision for impairment of receivables	**(1,247)**	(7,855)
Receivables disposed of to the Parent Company	**–**	(275,568)
Disposal of subsidiaries	**(12,338)**	(16,063)
At the end of the year	**378,046**	324,613

(g) The carrying amounts of other receivables approximate their fair values.

(h) There are no collaterals for other receivables.

(i) The carrying amounts of other receivables are denominated in the following currencies:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
RMB	**6,159,659**	8,467,579
AUD	**80**	28
	6,159,739	8,467,607

18. CASH AND BANK DEPOSITS

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Restricted bank deposits *(note (a))*	**1,919,510**	2,586,039
Term deposits with initial terms of over three months	**3,455,113**	18,416,259
Cash and cash equivalents		
– Cash on hand	**986**	1,581
– Deposits with banks and other financial institutions	**9,892,793**	11,194,082
	15,268,402	32,197,961

Notes:

(a) Restricted bank deposits mainly include the deposits set aside for the environmental restoration fund and the transformation fund as required by the regulations, the deposits set aside for land rehabilitation, letter of credit deposits, bank acceptance bill deposits, letter of guarantee deposits and China Coal Finance's mandatory reserve deposits in the People's Bank of China.

(b) For the year ended 31 December 2016, the interest rates on deposits ranged from 0.30% to 3.25% (2015: 0.30% to 3.70%) per annum.

(c) As at 31 December 2016, term deposits amounting to RMB578,629,000 (2015: RMB91,474,000) are pledged to banks for issuance of bank acceptance bills amounted to RMB782,861,000 (2015: RMB247,078,000).

(d) Deposits and cash and cash equivalents are denominated in the following currencies:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
RMB	**15,142,636**	32,069,020
USD	**125,007**	125,834
Other currencies	**759**	3,107
	15,268,402	32,197,961

Cash and bank deposits are principally RMB-denominated deposits placed with banks in the PRC. The conversion of RMB-denominated deposits into foreign currencies and remittance out of the PRC are subject to certain PRC rules and regulations of foreign exchange control promulgated by the PRC government.

(e) The carrying amount of bank deposits approximates their fair value.

19. SHARE CAPITAL

	Number of shares *(thousands)*	Share capital *RMB'000*
At January 2015 and 31 December 2015 and 2016:		
Domestic shares ("A shares") of RMB1.00 each		
– held by China Coal Group	7,605,208	7,605,208
– held by other shareholders	1,546,792	1,546,792
H shares of RMB1.00 each		
– held by a wholly-owned subsidiary of China Coal Group	132,351	132,351
– held by other shareholders	3,974,312	3,974,312
	13,258,663	13,258,663

There is no movement in the Company's issued share capital during the year ended 31 December 2015 and 2016.

Notes:

(a) The A shares rank pari passu, in all material respects, with the H shares.

(b) As at 31 December 2016 and 2015, China Coal Hong Kong Company Limited, a wholly-owned subsidiary of China Coal Group, held approximately 132,351,000 H Shares of the Company, representing 1.00% of the Company's total share capital.

20. RESERVES

	Capital reserve	Statutory reserve funds	General Reserve	Future development fund	Safety fund	Other funds related to coal mining	Translation reserve	Other reserves	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2015	30,651,045	3,992,822	–	56,027	13,912	2,118,320	(67,328)	6,305,130	30,575,152	73,645,080
Loss for the year	–	–	–	–	–	–	–	–	(3,266,791)	(3,266,791)
Other comprehensive loss	–	–	–	–	–	–	(8,396)	(872)	–	(9,268)
Appropriations	–	–	123,919	(7,477)	22,595	(804,874)	–	–	665,837	–
Share of changes in reserves of associates	–	–	–	–	–	–	–	4,998	(8,342)	(3,344)
Contributions	405,846	–	–	–	–	–	–	–	–	405,846
Dividends *(Note 35)*	–	–	–	–	–	–	–	–	(319,649)	(319,649)
Loss of significant influence over associates	–	–	–	–	–	–	–	(30,335)	27,367	(2,968)
Balance at 31 December 2015	31,056,891	3,992,822	123,919	48,550	36,507	1,313,446	(75,724)	6,278,921	27,673,574	70,448,906
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,715,105**	**1,715,105**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**22,813**	**(1,622)**	**–**	**21,191**
Appropriations	**–**	**37,786**	**129,500**	**124,785**	**304,216**	**(641,298)**	**–**	**–**	**45,011**	**–**
Share of change in reserves of investments accounted for using the equity method	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,319)**	**3,319**	**–**
Contributions	**4,728**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,728**
Dividends *(Note 35)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Acquisition of non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**604,307**	**–**	**604,307**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**(4,854)**	**–**	**–**	**–**	**4,854**	**–**
Others	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,860)**	**–**	**(5,860)**
Balance at 31 December 2016	**31,061,619**	**4,030,608**	**253,419**	**173,335**	**335,869**	**672,148**	**(52,911)**	**6,872,427**	**29,441,863**	**72,788,377**

20. RESERVES (CONTINUED)

Notes:

(a) Statutory reserve funds

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

(b) Future development fund

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

(c) Safety fund

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

(d) Other funds relevant to coal mining

(i) Transformation and environmental restoration fund

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

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

(ii) Sustainable development fund

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

(e) Acquisition of non-controlling interests

During the year ended 31 December 2016, the Group acquired 45% of non-controlling interests in Shanxi Xiaohuigou Coal Mining Co., Ltd. ("Xiaohuigou"), a subsidiary of the Group, for a consideration of RMB849,050,000. The amount of RMB604,369,000, representing 45% equity interests in Xiaohuigou of RMB1,453,419,000 at the acquisition date in excess of the consideration paid, was recorded as an addition of reserve.

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

21. BORROWINGS

	31 December 2016 RMB'000	31 December 2015 RMB'000
Long-term borrowings		
Bank loans and loans from other financial institutions		
– Secured *(Note (e))*	**5,359,643**	7,551,502
– Guaranteed *(Note (c))*	**2,287,576**	2,578,576
– Unsecured	**51,849,524**	54,369,096
	59,496,743	64,499,174
A loan from a non-controlling interest		
– Unsecured	**162,000**	–
	59,658,743	64,499,174
Less: amount due within one year under current liabilities	**(16,161,810)**	(10,019,483)
	43,496,933	54,479,691
Short-term borrowings		
Bank loans and loans from other financial institutions		
– Secured *(note (e))*	**259,883**	278,782
– Guaranteed	**30,000**	50,000
– Unsecured	**6,283,148**	5,329,147
	6,573,031	5,657,929
Total borrowings	**66,231,774**	70,157,103

21. BORROWINGS (CONTINUED)

Notes:

(a) At 31 December 2016, the Group's long-term borrowing were repayable as follows:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Bank loans and loans from other financial institutions		
– Within one year	**16,161,810**	10,019,483
– Between one and two years	**12,949,758**	16,703,446
– Between two and five years	**17,926,769**	21,620,502
– Over five years	**12,458,406**	16,155,743
	59,496,743	64,499,174
Loans from non-controlling interests		
– Between two and five years	**60,000**	–
– Over five years	**102,000**	–
	162,000	–

(b) The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount	
	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Borrowings	**43,496,933**	54,479,691

The carrying amounts of short-term borrowings and long-term borrowings approximate their fair value.

(c) The guaranteed borrowings are as follows:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Guaranteed by:		
– Guizhou Panjiang Investment Holdings Group Co., Ltd.	**30,000**	65,000
– Jizhong Energy Group Co., Ltd.	**173,926**	204,926
– the Company and Shanxi Coking Coal	**2,113,650**	2,333,650
– Liaoning Electric Group Co., Ltd.	**–**	25,000
	2,317,576	2,628,576

(d) As at 31 December 2016 and 2015, all borrowings were denominated in RMB.

21. BORROWINGS (CONTINUED)

Notes: (continued)

(e) The secured borrowings are as follows:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Secured by:		
– Property, plant and equipment	**5,099,643**	7,630,284
– Land use rights	**25,000**	–
– Mining rights	**80,000**	–
– Trade receivables	**414,883**	200,000
Total	**5,619,526**	7,830,284

All the other borrowings of the Group are unsecured bank loans.

22. LONG-TERM BONDS

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Bonds payable	**25,744,417**	40,653,090
Commission payable – non-current	**156,000**	216,000
Less: current portion	**–**	(14,972,791)
	25,900,417	25,896,299

Notes:

(a) On 18 September 2012, the Company issued 50,000,000 corporate bonds with a par value of RMB100 each and received a total proceeds of RMB5,000,000,000. The bonds are fully repayable on 19 September 2019 when they become due. These bonds carry a coupon rate of 5.12% annum and the interest charge will be paid on 19 September annually in each of the following seven years. The effective interest rate is 5.38% per annum.

In addition, the Company is obliged to pay RMB84,000,000 to the underwriter as the underwriting commission, which is payable in seven instalments of RMB12,000,000 annually. First instalment of RMB12,000,000 was paid on 19 September 2012 when the transaction was completed and the same amount is payable on 19 September in each of the following six years.

(b) On 23 July 2013, the Company issued 50,000,000 corporate bonds with a par value of RMB100 each and received a total proceeds of RMB5,000,000,000. The bonds are fully repayable on 25 July 2020 when they become due. These bonds carry a coupon rate of 5.26% per annum and the interest charge will be paid on 25 July annually in each of the following seven years. The effective interest rate is 5.51% per annum.

In addition, the Company is obliged to pay RMB84,000,000 to the underwriter as the underwriting commission, which is payable in seven instalments of RMB12,000,000 annually. First instalment of RMB12,000,000 was paid on 25 July 2013 when the transaction was completed and the same amount is payable on 25 July in each of the following six years.

22. LONG-TERM BONDS (CONTINUED)

Notes: (continued)

(c) On 16 September 2013, the Company issued 50,000,000 corporate bonds with a par value of RMB100 each and received a total proceeds of RMB5,000,000,000. The bonds are fully repayable on 18 September 2020 when they become due. These bonds carry a coupon rate of 5.60% per annum and the interest charge will be paid on 18 September annually in each of the following seven years. The effective interest rate is 5.85% per annum.

In addition, the Company is obliged to pay RMB84,000,000 to the underwriter as the underwriting commission, which is payable in seven instalments of RMB12,000,000 annually. As agreed with the underwriter, first instalment of RMB12,000,000 was paid on 18 September 2014 and the same amount is payable on 19 September in each of the following six years.

(d) On 23 October 2014, Shanghai Datun issued 10,000,000 corporate bonds with a par value of RMB100 each and received a total proceeds of RMB985,000,000, deducting the underwriting commission of RMB15,000,000. The bonds are fully repayable on 23 October 2019 when they become due. These bonds carry a coupon rate of 5.28% per annum and the interest charge will be paid on 23 October annually in each of the following five years. The effective interest rate is 5.63% per annum.

(e) On 17 June 2015, the Company issued 100,000,000 corporate bonds with a par value of RMB100 each and received a total proceeds of RMB10,000,000,000. The bonds are fully repayable on 18 June 2022 when they become due. These bonds carry a coupon rate of 4.95% per annum and the interest charge will be paid on 18 June annually in each of the following seven years. The effective interest rate is 5.20% per annum.

In addition, the Company is obliged to pay RMB168,000,000 to the underwriter as the underwriting commission, which is payable in seven instalments of RMB24,000,000 annually. As agreed with the underwriter, first instalment of RMB24,000,000 was paid on 18 June 2015 when the transaction was completed and the same amount is payable on 18 June in each of the following six years.

The bonds are initially recognised at the amount of the total proceeds net of the commission paid on the dates of issuance. The accrued interest and the current portion of commission payable are recorded in interest payable and other payables as follows:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Interest payable for long-term bonds	**541,750**	852,887
Commission payable – current	**103,200**	109,350
	644,950	962,237

The fair value of long-term bonds are as follows:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Long-term bonds	**26,831,000**	26,720,622

The fair values of long-term bonds are within level 1 of the fair value hierarchy.

23. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	**2,594,699**	2,133,831
Deferred tax asset to be recovered within 12 months	**387,607**	292,132
	2,982,306	2,425,963
Deferred tax liabilities:		
Deferred tax liability to be settled after more than 12 months	**(6,725,898)**	(6,709,661)
Deferred tax liability to be settled within 12 months	**(12,771)**	(112,300)
	(6,738,669)	(6,821,961)
Deferred tax liabilities, net	**(3,756,363)**	(4,395,998)

The gross movements on the deferred tax account are as follows:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Beginning of the year	**(4,395,998)**	(6,349,947)
Disposals of subsidiaries	**(40,182)**	(17,635)
Business combination	**(8,349)**	–
Credited to income statement *(Note 33)*	**687,625**	1,655,625
Credited directly to equity	**–**	315,668
Credited to other comprehensive income *(Note 33)*	**541**	291
End of year	**(3,756,363)**	(4,395,998)

Deferred income tax assets are recognised for tax losses carried-forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group had not recognised deferred income tax assets of RMB241,853,000 (2015: RMB434,764,000), in respect of certain subsidiaries' accumulated tax losses of RMB968,211,000 (2015: RMB1,739,056,000) as at 31 December 2016, that can be carried forward against future taxable income and will expire between 2017 and 2021. The Group did not recognise these deferred income tax assets as management believes that it is more likely than not that such tax losses would not be utilised before they expire.

23. DEFERRED INCOME TAX (CONTINUED)

Tax losses that has not been recognised as deferred income tax assets will be expired in the following years:

	31 December 2016	31 December 2015
	RMB'000	*RMB'000*
2016	**–**	93,288
2017	**55,373**	195,631
2018	**107,272**	348,462
2019	**180,304**	725,707
2020	**217,258**	375,968
2021	**408,004**	–
	968,211	1,739,056

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

Deferred tax assets:

	Trial production	**Unrealised profit**	**Tax losses**	**Amortisation**	**Impairment of assets**	**Deductible temporary differences arising from investments in subsidiaries**	**Accrued expenses**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	180,165	110,245	310,247	123,757	218,047	–	107,997	197,055	1,247,513
(Charged)/credited to income statement	(16,846)	(5,408)	1,442,269	(15,251)	16,773	–	3,764	(79,091)	1,346,210
Credited directly to equity	–	–	–	–	(68,892)	–	–	–	(68,892)
Disposals of subsidiaries	–	–	(17,586)	–	(49)	–	–	–	(17,635)
At 31 December 2015	163,319	104,837	1,734,930	108,506	165,879	–	111,761	117,964	2,507,196
(Charged)/credited to income statement	**(69,454)**	**35,644**	**498,318**	**(21,209)**	**50,537**	**32,440**	**15,922**	**51,472**	**593,670**
Acquisition of a subsidiary (Note 42)	**–**	**–**	**–**	**–**	**110**	**–**	**–**	**–**	**110**
Disposals of subsidiaries	**–**	**–**	**(23,621)**	**–**	**(16,561)**	**–**	**–**	**–**	**(40,182)**
At 31 December 2016	**93,865**	**140,481**	**2,209,627**	**87,297**	**199,965**	**32,440**	**127,683**	**169,436**	**3,060,794**

23. DEFERRED INCOME TAX (CONTINUED)

Deferred tax liabilities:

	Depreciation	Mining funds (note (a))	Fair value adjustments not deductible for tax purpose	Fair value adjustments for available-for-sale financial assets	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	(38,280)	(1,078,464)	(6,476,064)	(4,590)	(62)	(7,597,460)
Credited to income statement	9,559	259,676	40,180	–	–	309,415
Credited to other comprehensive income	–	–	–	291	–	291
Credited directly to equity	–	–	384,560	–	–	384,560
At 31 December 2015	(28,721)	(818,788)	(6,051,324)	(4,299)	(62)	(6,903,194)
Credited to income statement	**7,389**	**52,342**	**38,736**	**–**	**(4,512)**	**93,955**
Credited to other comprehensive income	**–**	**–**	**–**	**541**	**–**	**541**
Acquisition of a subsidiary	**–**	**–**	**(8,459)**	**–**	**–**	**(8,459)**
At 31 December 2016	**(21,332)**	**(766,446)**	**(6,021,047)**	**(3,758)**	**(4,574)**	**(6,817,157)**

Note:

(a) Pursuant to certain regulations of the PRC government, the Group is required to set aside amounts for the future development funds (Note 20 (b)), safety fund (Note 20 (c)), transformation and environmental restoration fund (Note 20 (d)) and sustainable development fund (Note 20 (d)), collectively the "mining funds". Before 30 April 2011, for those amounts that are deductible for tax purposes when they are set aside but are expensed when they are utilised for accounting purpose, a deferred tax liability is recorded for the temporary differences in respect of excess amount of funds deducted for tax purposes.

According to a new PRC tax regulation effective from 1 May 2011, future development funds and safety funds are no longer tax deductible when they are set side but only tax deductible when they are utilised. As such, no additional deferred tax liability will be generated for these mining funds from 1 May 2011 onwards.

24. TRADE AND NOTES PAYABLES

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

Notes:

(a) Trade payables are analysed as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Trade payables		
– Fellow subsidiaries	**3,385,556**	2,975,002
– A joint venture	**2,721**	3,491
– Associates	**163,016**	41,910
– Third parties	**14,562,569**	16,018,994
	18,113,862	19,039,397

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

As at 31 December 2016 and 2015, aging analysis of trade payables based on invoice date is as follows:

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

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

	31 December 2016 RMB'000	31 December 2015 RMB'000
RMB	**21,158,916**	20,664,527
USD	**1,228**	1,126
AUD	**2**	2
	21,160,146	20,665,655

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

(d) As at 31 December 2016, term deposits amounted to RMB578,629,000 (2015: RMB91,474,000) are pledged to banks for issuance of bank acceptance bills amounted to RMB782,861,000 (2015: RMB247,078,000) (Note 18(c)).

As at 31 December 2016, notes receivables with amount of RMB298,331,000(2015: RMB323,162,000) are pledged to banks for notes payables amounted to RMB296,952,000 (2015: RMB323,162,000) (Note 16(e)).

25. ACCRUALS, ADVANCES AND OTHER PAYABLES

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Customer deposits and receipts in advance *(note (a))*	**2,368,889**	1,379,498
Payables for acquisition of subsidiaries	**1,007,923**	869,864
Payable for compensation for local mining companies	**200,600**	257,536
Dividends payable	**332,614**	304,404
Payables for site restoration	**218,308**	263,088
Mineral and water resource compensation payable	**40,338**	40,334
Salaries and staff welfare payable	**835,609**	771,609
Interest payable	**813,536**	1,112,479
Payables for mining rights *(Note 28)*	**256,466**	391,690
Advance from a non-controlling interest of a subsidiary	**128,852**	11,801
Contractor deposits	**555,126**	733,664
Deposits from fellow subsidiaries *(note (b))*	**3,402,838**	5,015,336
Other amounts due to related parties *(note (c))*	**571,629**	340,395
Other amounts due to third parties	**1,992,814**	1,798,156
	12,725,542	13,289,854

Notes:

(a) Customer deposits and receipts in advance are analysed as follows:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Customer deposits and receipts in advances		
– Fellow subsidiaries	**2,297**	8,825
– Joint ventures	**53**	–
– Associates	**50,180**	77,902
– Third parties	**2,316,359**	1,292,771
	2,368,889	1,379,498

Customer deposits and receipts in advances from related parties are unsecured, interest-free and payable in accordance with the relevant contracts entered into between the Group and the related parties.

(b) The balance represents fellow subsidiaries' deposits in the saving account at China Coal Finance, a 91% owned subsidiary of the Group. The deposits are unsecured and payable on demand or due within 12 month from the balance sheet date, with interest rates ranged from 0.35% to 3.00% per annum.

25. ACCRUALS, ADVANCES AND OTHER PAYABLES (CONTINUED)

Notes: (continued)

(c) Other amounts due to related parties are analysed below:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Amounts due to related parties, gross		
– Parent Company	**166,610**	6,121
– Fellow subsidiaries	**404,665**	334,185
– Associate	**–**	86
– Joint ventures	**354**	3
	571,629	340,395

Amounts due to related parties are unsecured, interest-free and payable on demand.

(d) The carrying amounts of accruals, advance and other payables approximate their fair values.

(e) As at 31 December 2015 and 2016, the carrying amounts of accruals and other payables are all denominated in RMB.

26. SHORT-TERM BONDS

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Short-term bonds	**3,000,000**	2,000,000

On 1 August 2016, the Company issued RMB3,000,000,000 one-year short-term bonds with a par value of RMB100 each, and received a total proceeds of RMB2,992,925,000, deducting the underwriting commission of RMB7,075,000. These bonds carry a fixed coupon rate of 3.10% per annum and the interest charge will be paid when the bonds become due.

27. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COST

	2016	2015
	RMB'000	*RMB'000*
Beginning of the year	**1,332,372**	1,245,236
Interest charge on unwinding of discounts	**40,569**	42,442
Provision	**80,609**	68,370
Decrease	**(75,442)**	(23,676)
End of the year	**1,378,108**	1,332,372
Less: current portion	**(25,758)**	(23,573)
	1,352,350	1,308,799

Mining activities may result in land subsidence, which could lead to losses to the residents of the mining areas. Pursuant to the relevant PRC regulations, the Group is required to make compensation payments to the residents for their losses resulting from land subsidence, or to restore the mining areas back to certain acceptable conditions.

Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or results of operations of the Group. The PRC government, however, has moved and may move further towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to, coal mines and land development areas, whether operating, closed or sold, (ii) the extent of required cleanup efforts, (iii) varying costs of alternative remediation strategies, (iv) changes in environmental remediation requirements, and (v) the identification of new remediation sites.

The provision for close down, restoration and environmental clean up costs has been determined by management based on their past experience and best estimate of future expenditure by discounting the expected expenditures to their net present value. 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 revision in the future. The amounts provided in relation to close down, restoration and environmental clean up costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are updated accordingly.

28. OTHER LONG-TERM LIABILITIES

	2016	2015
	RMB'000	*RMB'000*
Payables for mining rights	**744,847**	895,402
Others	**278,861**	260,678
	1,023,708	1,156,080
Less: current portion *(Note 25)*	**(256,466)**	(391,690)
	767,242	764,390

Note:

The payables for mining rights are mainly the unpaid balances of the consideration for purchasing mining rights.

According to relevant purchase agreements, considerations are paid by instalment before April 2021. The current portion of the payables is included in other payables (Note 25).

29. EXPENSES BY NATURE

Expenses included in cost of sales and selling, general and administrative expenses are analysed as follows:

	2016	2015
	RMB'000	*RMB'000*
Depreciation *(note (a))*	**6,081,289**	6,503,536
Amortisation *(note (b))*	**474,199**	532,293
Materials used and goods traded	**25,375,919**	24,199,733
Transportation costs and port expenses	**8,212,385**	11,735,216
Sales tax and surcharges	**1,900,129**	1,492,708
Auditor's remuneration	**12,726**	13,380
– Audit service	**12,496**	12,900
– Non-audit service	**230**	480
Losses on disposal of property, plant and equipment, land use rights and intangible assets	**155,703**	40,439
Repairs and maintenance	**1,029,789**	839,478
Operating lease rentals	**98,642**	92,014
Provision for impairment of receivables	**214,735**	74,115
Provision for impairment of inventories	**38,350**	215,004
Provision for impairment of property, plant and equipment	**210,849**	34,793
Employee benefit expense (including directors' emoluments) *(note (c), Note 32)*	**6,213,756**	6,331,348
Water resource compensation fees	**81,007**	75,749
Other expenses	**5,389,637**	7,387,608
Total cost of sales, selling, general and administrative expenses	**55,489,115**	59,567,414

29. EXPENSES BY NATURE (CONTINUED)

Notes:

(a) Depreciation charged to the income statement is analysed as follows:

	2016	2015
	RMB'000	*RMB'000*
Depreciation for the year	**6,501,562**	6,617,203
– Property, plant and equipment *(Note 6)*	**6,499,136**	6,615,140
– Investment properties	**2,426**	2,063
Less: capitalised in inventories which remained unsold as at year end	**(33,577)**	(22,011)
capitalised in construction in progress	**(386,696)**	(91,656)
Amount charged to income statement	**6,081,289**	6,503,536

Charged to:

	2016	2015
	RMB'000	*RMB'000*
Expenses		
– Cost of sales	**5,518,085**	5,976,757
– Selling, general and administrative expenses	**563,204**	526,779
	6,081,289	6,503,536

(b) Amortisation charged to income statement is analysed as follows:

	2016	2015
	RMB'000	*RMB'000*
Land use rights *(Note 7)*	**108,390**	94,556
Mining rights *(Note 8)*	**259,958**	349,855
Intangible assets	**88,910**	73,032
Long-term deferred expenses included in other non-current assets	**16,941**	14,850
	474,199	532,293

(c) Staff costs (including directors' emoluments) charged to the income statement are analysed as follows:

	2016	2015
	RMB'000	*RMB'000*
Charged to:		
Cost of sales	**4,053,659**	4,229,628
Selling, general and administrative expenses	**2,160,097**	2,101,720
	6,213,756	6,331,348

30. OTHER GAINS, NET

	2016	2015
	RMB'000	*RMB'000*
Gains on disposal of subsidiaries	**1,017,828**	–
Impairment loss of available-for-sale financial assets	**(135,879)**	–
Others	**98,237**	283,472
	980,186	283,472

31. FINANCE INCOME AND COSTS

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

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

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

32. EMPLOYEE BENEFIT EXPENSE

	2016	2015
	RMB'000	*RMB'000*
Wages, salaries and allowances	**3,972,472**	4,045,004
Housing subsidies *(note (a))*	**450,533**	454,030
Contributions to pension plans *(note (b))*	**784,827**	920,116
Welfare and other expenses	**1,005,924**	912,198
	6,213,756	6,331,348

Notes:

(a) These mainly include the Group's contributions to government-sponsored housing funds in the PRC at rates ranging from 12% to 25% of the employees' basic salaries.

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year are as follows:

	2016	2015
Director	**–**	1
Non-director individuals	**5**	4
	5	5

Details of emoluments paid to the non-director individuals are as follows:

	2016	2015
	RMB'000	*RMB'000*
Basic salaries, housing allowances, other allowances and benefits-in-kind	**1,081**	839
Contributions to pension schemes	**463**	256
Discretionary bonuses	**1,867**	2,299
	3,411	3,394

During the year ended 31 December 2016, the emoluments paid to each of the highest paid non-director individuals are in the range of HK$914,556 and HK$1,050,711 (2015: HK$994,644 and HK$1,069,476).

(b) The Group participates in various pension plans organised by the relevant municipal and provincial governments in the PRC under which the Group is required to make monthly defined contributions to these plans at rates ranging from 5% to 20% of the employees basic salaries depending on the applicable local regulations. Effective from 1 January 2011, the Group also makes monthly defined contributions to a supplemental pension plan for the qualified employees.

33. INCOME TAX EXPENSE/(CREDIT)

	2016	2015
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax *(note (a))*	**986,382**	907,447
Deferred income tax *(Note 23)*	**(687,625)**	(1,655,625)
	298,757	(748,178)

Notes:

(a) The provision for PRC enterprise income tax ("EIT") is calculated based on the statutory income tax rate of 25%. The applicable income tax rate in 2016 and 2015 is 25% on the assessable income of each of the companies now comprising the Group, determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries which are taxed at preferential tax rate of 15% based on the relevant PRC tax laws and regulations.

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

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

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

(c) The tax charge relating to components of other comprehensive income are as follows:

	2016			2015		
	Before tax	**Tax charge**	**After tax**	Before tax	Tax charge	After tax
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale financial assets	**2,163**	**(541)**	**1,622**	1,163	(291)	872
Currency translation differences	**(22,813)**	**–**	**(22,813)**	8,396	–	8,396
Other comprehensive (loss)/income	**(20,650)**	**(541)**	**(21,191)**	9,559	(291)	9,268
Current tax		**–**			–	
Deferred tax		**(541)**			(291)	
		(541)			(291)	

33. INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

Notes: (continued)

(c) (continued)

The income tax credited directly to other comprehensive income during the year is as follows:

	2016	2015
	RMB'000	*RMB'000*
Deferred tax:	**(541)**	(291)

34. EARNINGS/(LOSSES) PER SHARE

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

	2016	2015
Profit/(loss) attributable to equity holders of the Company (RMB'000)	**1,715,105**	(3,266,791)
Number of ordinary shares in issue (thousands)	**13,258,663**	13,258,663
Basic earnings/(losses) per share (RMB per share)	**0.13**	(0.25)

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

35. DIVIDENDS

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

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

36. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors', supervisors' and chief executive's emoluments

The emoluments of directors and supervisors for the year ended 31 December 2016 are set out below:

	2016						
	Emoluments paid or receivable in respect of a person's service as a director, whether of the company or its subsidiary undertaking						
Name	**Fees**	**Salary**	**Bonus**	**Housing allowance**	**Social benefits**	**Employer's contribution to benefits scheme**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman, executive director:							
Mr. LI Yanjiang	–	–	–	–	–	–	–
Executive director:							
Mr. GAO Jianjun	–	197	398	29	29	68	721
Non-executive director:							
Mr. PENG Yi	–	–	–	–	–	–	–
Mr. LIU Zhiyong	–	–	–	–	–	–	–
Mr. XIANG Xujia	–	–	–	–	–	–	–
	–	197	398	29	29	68	721
Independent non-executive directors:							
Mr. ZHANG Ke	–	300	–	–	–	–	300
Mr. ZHAO Pei	–	300	–	–	–	–	300
Mr. WEI Weifeng	–	300	–	–	–	–	300
	–	900	–	–	–	–	900
Supervisors:							
Mr. ZHOU Litao	–	–	–	–	–	–	–
Mr. ZHAO Rongzhe	–	–	–	–	–	–	–
Mr. ZHANG Shaoping	–	204	244	29	29	62	568
	–	204	244	29	29	62	568
	–	1,301	642	58	58	130	2,189

Notes to the Consolidated Financial Statements

As at 31 December 2016

(All amounts in RMB unless otherwise stated)

36. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors', supervisors' and chief executive's emoluments (continued)

The emoluments of directors and supervisors for the year ended 31 December 2015 are set out below:

	2015						
	Emoluments paid or receivable in respect of a person's service as a director, whether of the company or its subsidiary undertaking						
Name	Fees	Salary	Bonus	Housing allowance	Social benefits	Employer's contribution to benefits scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman, executive director:							
Mr. LI Yanjiang	–	–	–	–	–	–	–
Mr. WANG An	–	–	–	–	–	–	–
Executive director:							
Mr. GAO Jianjun	–	172	583	26	27	59	867
Mr. YANG Lieke	–	70	70	13	13	32	198
Non-executive director:							
Mr. PENG Yi	–	–	–	–	–	–	–
Mr. LIU Zhiyong	–	–	–	–	–	–	–
Mr. XIANG Xujia	–	–	–	–	–	–	–
Mr. LI Yanmeng	14	–	–	–	–	–	14
	14	242	653	39	40	91	1,079
Independent non-executive directors:							
Mr. ZHANG Ke	–	150	–	–	–	–	150
Mr. ZHAO Pei	–	300	–	–	–	–	300
Mr. WEI Weifeng	–	300	–	–	–	–	300
Mr. ZHANG Jiaren	–	150	–	–	–	–	150
	–	900	–	–	–	–	900
Supervisors:							
Mr. ZHOU Litao	–	–	–	–	–	–	–
Mr. ZHAO Rongzhe	–	–	–	–	–	–	–
Mr. ZHANG Shaoping	–	115	299	26	27	58	525
Mr. WANG Xi	–	–	–	–	–	–	–
	–	115	299	26	27	58	525
	14	1,257	952	65	67	149	2,504

36. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors', supervisors' and chief executive's emoluments (continued)

Note:

Mr. Li Yanjiang, Mr. Peng Yi, Mr. Liu Zhiyong, Mr. Zhou Litao and Mr. Zhao Rongzhe received emoluments from China Coal Group, part of which is in relation to their services to the Company.

No apportionment has been made as the directors consider that it is impractical to apportion this amount between their services to the Company and their service to the Parent Company.

During the year ended 31 December 2016, the emoluments paid to each of the directors did not exceed HK$1,000,000 (equivalent to RMB894,510).

(b) Directors' and supervisors' retirement benefits

The retirement benefits paid to all directors and supervisors during the year ended 31 December 2016 in respect of their services as directors and supervisors of the Company and its subsidiaries is RMB129,927 (2015: RMB150,342).

No other retirement benefits were paid to them in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2015: nil).

(c) Directors' and supervisors' termination benefits

During the year ended 31 December 2015 and 2016, no payment to the directors and supervisors as compensation for the early termination of the appointment was made by the Company.

(d) During the year ended 31 December 2016, there is no consideration that was provided to third parties for making available directors' and supervisors' services.

No payment to the former employers for making available the services as directors and supervisors of the Company was made (2015: nil).

(e) During the years ended 31 December 2015 and 2016, and as at 31 December 2015 and 2016, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiary undertaking of the Company, in favour of directors and supervisors.

(f) No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director or a supervisor 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.

During the years ended 31 December 2015 and 2016, no directors or supervisors of the Company waived any emoluments.

37. CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit/(loss) before income tax to net cash inflows generated from operations

	2016	2015
	RMB'000	*RMB'000*
Profit/(loss)before income tax	**3,001,308**	(3,575,678)
Adjustments for:		
Depreciation charge	**6,081,289**	6,503,536
Net losses on disposals of property, plant and equipment, land use rights and intangible assets	**155,703**	40,439
Amortisation charge	**474,199**	532,293
Provision for impairment of property, plant and equipment	**210,849**	34,793
Provision for impairment of receivables	**197,535**	71,115
Provision for impairment of loans to related parties	**17,200**	3,000
Provision for impairment of inventories	**38,350**	215,004
Provision for impairment of available-for-sale financial assets	**135,879**	–
Share of profits of associates and joint ventures	**(608,008)**	(362,312)
Net foreign exchange losses/(gains)	**10,289**	(19,908)
Gain on disposal of subsidiaries	**(1,017,828)**	(46,366)
Net gain on disposal of investments	**–**	(3,811)
Loss on disposal of business of Long Dong Mine	**9,549**	–
Gain on business combination of an associate	**(9,811)**	–
Interest income on term deposits with initial terms of over three months and loans receivable	**(227,000)**	(619,848)
Interest expense	**4,329,495**	4,956,311
Dividend income	**(13,300)**	(9,522)
Provision for close down, restoration, and environmental costs	**80,609**	68,370
Changes in working capital:		
Inventories	**(860,601)**	1,515,004
Trade and notes receivables	**(3,052,328)**	(2,283,247)
Prepayments and other receivables	**(512,768)**	(390,840)
Trade and notes payables	**2,323,446**	(1,158,336)
Accruals, advances and other payables	**1,286,531**	2,703,436
Restricted bank deposits	**666,529**	(51,429)
Cash generated from operations	**12,717,116**	8,122,004

37. CASH GENERATED FROM OPERATIONS (CONTINUED)

(b) In the cash flow statement, proceeds from sale of property, plant and equipment, land use rights and intangible assets comprise:

	2016	2015
	RMB'000	*RMB'000*
Net book amount	**1,631,375**	109,664
Losses on disposal of property, plant and equipment, land use rights and intangible assets	**(155,703)**	(40,439)
Proceeds from disposal of property, plant and equipment, land use rights and intangible assets	**1,475,672**	69,225

(c) Non-cash transactions

The principal non-cash transaction for the year ended 31 December 2016 is the endorsement of bank acceptance notes amounted to RMB1,715,440,000 (2015: RMB2,212,694,000) to settle the payables for purchase of property, plant and equipment.

38. CONTINGENT LIABILITIES

The Group is a defendant in a number of lawsuits arising in the ordinary course of business. While the outcomes of such lawsuits cannot be determined at present, management believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results the Group.

39. FINANCIAL GUARANTEE CONTRACTS

The Group has guaranteed the bank loans of a number of related parties and third parties for no compensation. Under the terms of the financial guarantee contracts, the Group will make payments to reimburse the lenders upon failure of the guaranteed entities to make payments when due.

Terms and face value of the liabilities guaranteed and maximum exposure to credit risk were as follows:

		31 December 2016	31 December 2015
	Year of maturity	**Face value**	Face value
		RMB'000	*RMB'000*
Bank loans of:			
– Related parties	2008-2025	**15,555,158**	4,720,291
– Third parties	2008-2027	**834,783**	1,124,258
		16,389,941	5,844,549

The method used in determining the fair value of these guarantees has been disclosed in Note 2.32.

40. COMMITMENTS

(a) Capital commitments

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

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

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

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

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

(c) Investment commitments

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

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

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

40. COMMITMENTS (CONTINUED)

(c) Investment commitments (continued)

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

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

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

(d) Guarantee commitments

Please refer to Note 41(b).

41. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Company's directors regard China Coal Group, a company established in the PRC, as the parent company of the Company, and State-owned Assets Supervision and Administration Commission of the State Council as the ultimate shareholder of the Company.

The Group has extensive transactions with its parent company, China Coal Group. For the purpose of disclosures of related party transactions, to the extent possible, the Group has procedures in place to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are related parties. Management believes that all material related party transactions and balances, of which they are aware of, have been adequately disclosed.

Sales of goods and provision of services to related parties are at state-prescribed prices or prices which are also available to other customers. The Group considers that these sales are activities in the ordinary course of business.

41. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

In addition to those disclosed elsewhere in these financial statements, the following transactions were carried out with related parties:

(a) Related party transactions

	2016	2015
	RMB'000	*RMB'000*
Transactions with the Parent Company and fellow subsidiaries		
Coal Export and Sales (i)		
Charges paid for agency services of coal export	**2,577**	5,991
Integrated Material and Services Mutual Provision (ii)		
Purchase of production material, machinery and equipment from the Parent Company and fellow subsidiaries	**2,660,428**	2,629,752
Charges for social and support services provided by the Parent Company and fellow subsidiaries	**44,556**	36,707
Sales of production material, machinery and equipment to the Parent Company and fellow subsidiaries	**693,961**	494,811
Revenue of coal export-related services from the Parent Company and fellow subsidiaries	**12,385**	8,828
Mine Construction,Design and General Contracting Service (iii)		
Charges for mine construction and design services provided by the Parent Company and fellow subsidiaries	**2,309,368**	2,808,399
Property Leasing (iv)		
Rental fees paid to the Parent Company and fellow subsidiaries	**86,510**	90,821
Land Use Right Leasing (v)		
Rental fees paid to the Parent Company and fellow subsidiaries	**56,085**	57,994
Coal Supplies (vi)		
Coal purchased from the Parent Company and fellow subsidiaries	**3,666,753**	1,251,301
Financial Services(vii)		
Loans provided to the Parent Company and fellow subsidiaries	**6,080,000**	620,000
Loans repayment received from the Parent Company and fellow subsidiaries	**4,660,000**	320,000
Deposits received from the Parent Company and fellow subsidiaries	**–**	3,036,531
Decrease in deposits from the Parent Company and fellow subsidiaries	**1,604,498**	–
Interest paid to the Parent Company and fellow subsidiaries	**38,059**	33,043
Interest received from the Parent Company and fellow subsidiaries	**67,599**	24,972
Charges for providing entrusted loans	**148**	1,500
Fee paid for use of trademark to the Parent Company (viii)	**RMB1**	RMB1

41. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related party transactions (continued)

Note:

(i) Under relevant PRC laws and regulations, coal exports shall only be made through one of four authorised PRC enterprises including China Coal Group. The Company appointed China Coal Group as its coal export sales agent under a Coal Export and Sales Agency Framework Agreement entered into on 5 September 2006. Pursuant to the agreement, the agency fee is determined based on market price and the agency fee for the coal exports and sales to the China Taiwan market is extra plus USD0.5 per ton of coal products sold. The agency fees are payable on a monthly basis, effective from 31 December 2008. The agreement has been renewed to extend the term to 31 December 2017.

(ii) The Company and China Coal Group entered into Integrated Materials and Services Mutual Provision Framework Agreement on 5 September 2006, under which the Company provides to China Coal Group and China Coal Group provides to the Company production material supplies and ancillary services, and the Company also provides to China Coal Group export-related services. The Company and China Coal Group entered into Supplementary Agreement to Integrated Materials and Services Mutual Provision Framework Agreement on 31 December 2012. Pursuant to the agreement, the service fee is 65% of the actual service fee charged by China Coal Group in respect of each ton of coal products exported. The above two agreements have been renewed to extend the term to 31 December 2017.

According to the Integrated Materials and Services Mutual Provision Framework Agreement, the contracting party should follow the following pricing principles (and in the following order) supplying raw materials to the other party, and social support services:

- The price set by the Chinese government; or
- If there is no government pricing, the guiding price determined by the Chinese government; or
- If there is no government pricing and government guiding prices, the market price (the transaction price with an independent third party); or
- If there are no applicable terms above, the price agreed by each parties. The price of the agreement will be calculated based on the reasonable costs associated with the supply of services, plus a reasonable profit.

Coal export-related services, the Company provide China Coal Group for coal export-related services to other customers, the service fee payable by the China Coal Group should be determined at the applicable market price. The service fee is determined to be 0.8% to 1.3% of the FOB price per ton. This agreement was due on 31 December 2011, and was renewed to extend the term to 31 December 2014. The Company and China Coal Group entered into Supplementary Agreement to Integrated Materials and Services Mutual Provision Framework Agreement on 31 December 2012, pursuant to which the service fee is set to 65% of the actual service fee charged by China Coal Group in respect of each ton of coal products exported. This agreement was due on 31 December 2014, and has been renewed to extend the term to 31 December 2017.

Notes to the Consolidated Financial Statements

As at 31 December 2016
(All amounts in RMB unless otherwise stated)

41. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related party transactions (continued)

Note: (continued)

(iii) The Company and China Coal Group entered into Mine Construction and Design Framework Agreement on 5 September 2006. Subsequently, the Company and China Coal Group extend this contract and change its name to Project Design, Construction and General Contracting Framework Agreement. The agreement has been renewed to extend the term to 31 December 2017. The deal mainly includes:

- China Coal Group provides the Company with engineering design, construction and general contracting;
- China Coal Group undertakes projects which the Company subcontracts;
- For engineering design, construction and general contracting, services providers and pricing would be determined in the form of public bidding.

(iv) The Company and China Coal Group entered into a Property Lease Framework Agreement on 5 September 2006, pursuant to which the Company leases from China Coal Group certain buildings and properties in the PRC for general business and ancillary purposes. The annual lease payment is subject to review and adjustment every three year based on market price. The Company and China Coal Group renewed the Property Leasing Framework Agreement in 2014, which is effective until December 2024, agreeing a cap of annual lease payment of RMB105,000,000 for 2015 to 2017.

(v) The Company and China Coal Group entered into a Land Use Rights Lease Framework Agreement on 5 September 2006, pursuant to which the Company leases certain land use rights in the PRC from China Coal Group for general business and ancillary purposes. The annual lease payment is subject to review and adjustment every three year based on market price. This agreement is effective for 20 years. The cap of annual lease payment for 2015 to 2017 is RMB61,000,000.

41. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related party transactions (continued)

Note: (continued)

(vi) The Company and China Coal Group entered into a Coal Supplies Framework Agreement on 5 September 2006, pursuant to which China Coal Group will sell all coal products produced from its retained mines exclusively to the Company, and has undertaken not to sell any such coal products to any third party. The agreement has been renewed to extend the term to 31 December 2017.

According to the Coal Supplies Framework Agreement, the Company should purchase the coal products produced by the China Coal Group from its retained mines, in accordance with the following pricing principles:

- The market price, the market price should be determined by reference to the current market price of the comparable coal products provided by the independent coal producers in the region or the surrounding area of the China Coal Group in accordance with the principle of fairness, or

- If there is no market price or can not be applied in the actual market price, the implementation of the agreement price.

(vii) China Coal Finance Co., Ltd and China Coal Group entered into a Financial Services Framework Agreement on 18 March 2014, under which the Company provides financial services to China Coal Group within its business scope. This agreement was effective until 31 December 2014, and has been renewed to extend the term to 31 December 2017.

On 21 June 2016, taking into account China Coal Finance's needs of operation, current level of funds, and the fund demand of the Company and China Coal Group, the BoD of the Company passed a resolution to adjust the annual cap for loan and finance lease to RMB9,300,000,000, effective from 2015 to 2017.

(viii) The Company and China Coal Group entered into a Trademark License Framework Agreement on 5 September 2006, under which the Company is authorised to use partial registered trademarks of companies without use at the cost of RMB1. This agreement was effective for 10 years, and has been renewed on 23 August 2016 to extend the term to 22 August 2026.

41. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related party transactions (continued)

Note: (continued)

(viii) (continued)

	31 December 2016 RMB'000	31 December 2015 RMB'000
Transactions with joint ventures		
Sales and services provided:		
Sales of coal to joint ventures	**152,801**	140,958
Sales of machinery and equipment to a joint venture	**62,640**	1,616
Coal Export and Sales to a joint venture	**101**	–
Income from providing labor services to a joint venture	**2**	1,873
Purchases of goods and services		
Purchases of coal from joint ventures	**53,508**	27,736
Purchase of machinery and equipment from joint ventures	**–**	940
Received training services	**261**	–
Financial services		
A loan provided to a joint venture	**400,000**	–
Loans repayment received	**600,000**	650,000
Interest income on loans to joint ventures	**96,752**	126,689
Transactions with associates		
Sales and services provided		
Sales of machinery and equipment to associates	**227,550**	110,986
Sales of materials and spare parts to an associate	**25,843**	29,594
Railway rental income from an associate	**133,171**	135,652
Income from providing labor services to associates	**110,487**	74,059
Sales of coal to associates	**1,135,225**	853,770
Purchases of goods and services		
Purchases of coal from an associate	**208,334**	72,229
Purchases of materials and spare parts from associates	**33,043**	22,991
Transportation services purchased from associates	**399,499**	421,223
Received training services from an associate	**413**	–
Rental fees from an associate	**89**	59
Financial services		
A loan provided to an associate	**1,550,000**	1,550,000
A loan repayment received from an associate	**3,100,000**	–
Interest income on loans to an associate	**23,380**	9,177
Agency fee income on loans to an associate	**173**	348
Transactions with primary a shareholder of a significant subsidiary		
Sales and services provided (ix)		
Sales of coal to a primary shareholder of a significant subsidiary	**448,807**	386,953
Purchases of goods and services (ix)		
Purchases of coal from a primary shareholder of a significant subsidiary	**12,529**	71,723
Infrastructural Project and Procurement of Coal Mining Facilities Services (ix)		
Charges paid to a primary shareholder of a significant subsidiary for infrastructural project and procurement of coal mining facilities services	**4,095**	145,563

41. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related party transactions (continued)

Note: (continued)

(ix) The Company and Shanxi Coking Coal Group Co., Limited ("Shanxi Coking Coal Group") entered into the Coal and Coal Related Products and Services Supply Agreement on 23 October 2014, under which the Company purchases the coal and coal related products and accepts services from Shanxi Coking Coal Group and Shanxi Coking Coal Group purchases the coal and coal related products and accepts services from the Company. The agreement is effective until 31 December 2017, taking effect from 23 October 2014.

Pursuant to the Coal and Coal Related Products and Services Supply Agreement, the prices will be based on the following pricing policy and order:

- as for the infrastructural project and procurement of coal mining facilities, the price shall be arrived by bidding process; and
- as for the supply of coal, the price shall be in accordance with the relevant market price.

Key management compensation

Key management includes directors (executive and non-executive), supervisors and other key management personnel.

The compensation paid or payable to key management for employee services is shown below:

	2016	2015
	RMB'000	*RMB'000*
Salary, allowances and other benefits		
– Directors and supervisors	**2,059**	2,355
– Other key management	**2,686**	2,735
	4,745	5,090
Pension costs-defined contribution plans		
– Directors and supervisors	**130**	149
– Other key management	**290**	330
	420	479
	5,165	5,569

41. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related party transactions (continued)

Transactions with other government related entities in PRC

Apart from transactions with China Coal Group, fellow subsidiaries, associates and joint ventures, the Group has extensive transactions with other government related entities.

During the years ended 31 December 2015 and 2016, majority of the following Group's activities are conducted with other state-controlled entities:

- Sales of coal;
- Sales of machinery and equipment;
- Purchases of coal;
- Purchases of materials and spare parts;
- Purchases of transportation services; and
- Cash and bank balances and borrowings.

In addition to the above mentioned, transactions with other state-controlled entities also include but not limited to the following:

- Lease of assets;
- Retirement benefit plans.

These transactions are conducted in accordance with the contracts the Group entered into based on market prices.

41. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Commitments to related parties

	2016	2015
	RMB'000	*RMB'000*
With the parent company and fellow subsidiaries		
– Purchases of goods	**4,365**	15,455
– Purchases of services	**560,246**	917,844
– Leasing payments	**885,980**	987,498
Total	**1,450,591**	1,920,797

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

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

41. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Loan guarantees to related parties

	2016	2015
	RMB'000	*RMB'000*
Loan guarantees to related parties		
– Associates	**15,405,158**	4,545,291
– A joint venture	**150,000**	175,000
Total	**15,555,158**	4,720,291

(d) Disposal of subsidiaries

On 31 May 2016, the Group disposed of its 100% equity interests in Xuzhou Sifang Aluminum Energy Co., Ltd. ("Sifang Aluminium"), China Coal Handan Coal Mining Equipment Co.,Ltd. ("Handan Coal Equipment"), Lingshi China Coal Chemical Co., Ltd. ("Lingshi Chemical") and 91% equity interests in Lingshi China Coal Jiuxin Coking Co., Ltd. ("China Coal Jiuxin") to China Coal Group.

On 31 December 2016, the Group disposed of its 100% equity interests in Shanxi China Coal Pingshuo Dongrisheng Co., Ltd. ("Pingshuo Dongrisheng") to an associate of China Coal Group, details are set out below:

	Sifang Aluminium	**Handan Coal Equipment**	**China Coal Jiuxin**	**Lingshi Chemical**	**Pingshuo Dongrisheng**	**Total**
Consideration received in cash	RMB1	RMB1	RMB1	194,842	RMB1	194,842
Less: Carrying value of former subsidiaries' net assets (RMB'000)	(286,075)	(164,275)	(454,508)	170,370	(88,498)	(822,986)
Gain on disposal (RMB'000)	286,075	164,275	454,508	24,472	88,498	1,017,828

42. BUSINESS COMBINATIONS

In October 2016, the Group acquired 60% equity interests in Gwarant (Zhangjiakou) Industry Technology Co.,Ltd. ("GIT"), which is engaged in manufacturing of industrial chains and rings was an associate of the Group before then, for a cash consideration of RMB117,294,000. After this acquisition, the Group owns 100% equity interests in GIT.

The following table summarises the consideration paid, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

Consideration:

At 1 October 2016	**RMB'000**
– Cash	106,212
Total consideration transferred	106,212
Fair value of equity interest in GIT held before the business combination	66,752
Total consideration	172,964
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	1,281
Land use rights	4,282
Property, plant and equipment	25,591
Technical Know-how (included in intangibles)	17,600
Inventories	45,125
Trade and other receivables	91,781
Deferred tax assets	110
Trade and other payables	(10,432)
Deferred tax liabilities	(8,458)
Total identifiable net assets	166,880
Goodwill	6,084
	172,964

43. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31 December 2016 RMB'000	As at 31 December 2015 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**647,986**	676,911
Intangible assets		**78,938**	79,502
Investments in subsidiaries		**78,775,736**	77,168,890
Investments in associates		**10,233,372**	9,620,347
Investments in joint ventures		**213,433**	213,433
Available-for-sale financial assets		**4,473,072**	4,473,072
Deferred income tax assets		**1,340,087**	865,767
Loans to subsidiaries		**16,120,891**	11,293,573
Other non-current assets		**1,129,684**	1,173,994
		113,013,199	105,565,489
Current assets			
Inventories		**900,795**	487,492
Trade and notes receivables		**4,137,572**	4,152,272
Prepayments and other receivables		**13,645,400**	17,129,028
Term deposits with initial terms of over three months		**1,485,534**	14,558,463
Cash and cash equivalents		**4,723,092**	7,367,866
		24,892,393	43,695,121
TOTAL ASSETS		**137,905,592**	149,260,610
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		**13,258,663**	13,258,663
Reserves	*(a)*	**42,698,412**	42,666,486
Retained earnings	*(a)*	**18,271,562**	18,133,206
Total equity		**74,228,637**	74,058,355

43. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Balance sheet of the Company (continued)

	Note	As at 31 December 2016 RMB'000	As at 31 December 2015 RMB'000
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**14,420,000**	20,290,000
Long-term bonds		**24,909,333**	24,908,075
		39,329,333	45,198,075
Current liabilities			
Trade and notes payables		**3,723,696**	2,898,203
Accruals, advances and other payables		**9,384,772**	8,501,290
Taxes payable		**49,154**	131,896
Short-term borrowings		**1,820,000**	–
Current portion of long-term borrowings		**6,370,000**	3,500,000
Current portion of long-term bonds		**–**	14,972,791
Short-term bonds		**3,000,000**	–
		24,347,622	30,004,180
Total liabilities		**63,676,955**	75,202,255
TOTAL EQUITY AND LIABILITIES		**137,905,592**	149,260,610

The balance sheet of the Company was approved by the Board of Directors on 22 March 2017 and signed on its behalf.

Li Yanjiang	**Chai Qiaolin**	**Chai Qiaolin**
Chairman of the Board	*Chief Financial Officer*	*Manager of Finance Department*
Executive Director		

43. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Reserve movement of the Company

	Capital reserve *RMB'000*	Statutory reserve funds *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
Balance at 1 January 2015	38,718,090	3,943,257	4,129	18,969,852	61,635,328
Loss for the year	–	–	–	(516,997)	(516,997)
Contributions	1,010	–	–	–	1,010
Dividends (Note 35)	–	–	–	(319,649)	(319,649)
Balance at 31 December 2015	38,719,100	3,943,257	4,129	18,133,206	60,799,692
Profit for the year	–	–	–	176,142	176,142
Appropriations	–	37,786	–	(37,786)	–
Others	(5,860)	–	–	–	(5,860)
Balance at 31 December 2016	38,713,240	3,981,043	4,129	18,271,562	60,969,974

Financial Summary for Recent Five Years

Unit: RMB'000

	2012 Annual Report	2013 Annual Report	2014 Annual Report (Restated)	2015 Annual Report	**2016 Annual Report**
Revenue and Profit					
Revenue	87,291,670	82,316,482	70,663,840	59,270,865	**60,631,613**
Profit/(Loss)before income tax	12,789,087	6,401,221	679,280	-3,575,678	**3,001,308**
Income tax expense/(gain)	3,214,363	1,781,107	191,768	-748,178	**298,757**
Profit/(Loss) for the year	9,574,724	4,620,114	487,512	-2,827,500	**2,702,551**
Attributed to:					
Equity holders of the Company	8,842,210	3,805,128	141,097	-3,266,791	**1,715,105**
Non-controlling interests	732,514	814,986	346,415	439,291	**987,446**
Dividends	2,851,145	2,784,319	319,787	–	**514,532**
Basic earning/(loss) per share attributable to the equity holders of the Company (RMB/Share)	0.67	0.29	0.01	-0.25	**0.13**
Assets and Liabilities					
Non-current assets	136,306,348	168,792,285	188,231,241	196,007,415	**198,116,364**
Current assets	49,381,353	47,727,822	55,780,939	62,018,579	**44,541,339**
Current liabilities	34,126,108	43,497,865	48,928,809	67,646,751	**61,415,736**
Net current assets/(liabilities)	15,255,245	4,229,957	6,852,130	-5,628,172	**-16,874,397**
Total assets less current liabilities	151,561,593	173,022,242	195,083,371	190,379,243	**181,241,967**
Non-current liabilities	50,141,175	69,929,102	92,154,223	90,096,820	**79,128,099**
Net assets	101,420,418	103,093,140	102,929,148	100,282,423	**102,113,868**
Equity attributable to the equity holders of the Company	86,726,393	87,811,024	86,903,743	83,707,569	**86,047,040**
Non-controlling interests	14,694,025	15,282,116	16,025,405	16,574,854	**16,066,828**

Company Profile

Statutory Chinese Name of the Company	中國中煤能源股份有限公司
Abbreviated Statutory Chinese Name of the Company	中煤能源股份
Statutory English Name of the Company	China Coal Energy Company Limited
Abbreviated Statutory English Name of the Company	China Coal Energy
Legal Representative of the Company	LI Yanjiang

INFORMATION ABOUT SECRETARY TO THE BOARD OF THE COMPANY

Name of Secretary to the Board	Zhou Dongzhou
Contact Address of Secretary to the Board	Securities Affairs Department China Coal Energy Company Limited No. 1, Huangsidajie, Chaoyang District, Beijing, PRC
Contact Telephone Number of Secretary to the Board	(8610)-82236028
Fax Number of Secretary to the Board	(8610)-82256479
E-mail Address of Secretary to the Board	IRD@chinacoal.com

BASIC INFORMATION ABOUT THE COMPANY

Registered Address and Office Address of the Company	No. 1, Huangsidajie, Chaoyang District, Beijing, PRC
Post Code	100120
Internet Website	http://www.chinacoalenergy.com
Email Address	IRD@chinacoal.com
Newspapers Designated for Information Disclosure	China Securities Journal, Securities Daily
Internet Website Designated by CSRC for Publication of Annual Reports	http://www.sse.com.cn
Internet Website Designated by The Stock Exchange of Hong Kong Limited	http://www.hkex.com.hk
Location for Inspection of Annual Reports of the Company	Securities Affairs Department China Coal Energy Company Limited No. 1, Huangsidajie, Chaoyang District, Beijing, PRC

BRIEF INFORMATION ABOUT SHARES OF THE COMPANY

Type of shares	Stock of Exchange	Short name of stock	Stock Code	Short name of stock before for listing of shares change
A Shares	Shanghai Stock Exchange	中煤能源	601898	
H Shares	The Stock Exchange of Hong Kong Limited	China Coal Energy	01898	

Authorised Representatives of the Company	Yang Lieke, Zhou Dongzhou
Company Secretary	Zhou Dongzhou

OTHER RELEVANT INFORMATION

Date of first registration of the Company	22 August 2006
Location of first registration of the Company	No. 1, Huangsidajie, Chaoyang District, Beijing, PRC
Date of change in registration of the Company	28 June 2010
Location of change in registration of the Company	No change
Registration Number of Corporate Business Licence	100000000040475
Tax Registration Number	Jing Shui Zheng Zi No. 110105710934289
Organisation Code	71093428-9

ACCOUNTING FIRMS OF THE COMPANY

Domestic accounting firm of the Company	PricewaterhouseCoopers Zhong Tian LLP
Office address of the domestic accounting firm of the Company	11/F, PricewaterhouseCoopers Center, 202 Hu Bin Road, Huangpu District, Shanghai, PRC
International accounting firm of the Company	PricewaterhouseCoopers
Office address of the international accounting firm of the Company	22/F, Prince's Building, Central, Hong Kong

SPONSOR PERFORMING CONTINUOUS SUPERVISION DUTIES DURING THE REPORTING PERIOD

Name	China International Capital Corporation Limited	China Galaxy Securities Co., Ltd.
Office address	28th Floor, China World Office 2, 1 Jianguomenwai Avenue Beijing, PRC	2nd – 6th Floor Tower C, Corporate Square, 35 Financial Street, Xicheng District Beijing, PRC
Signing sponsor representatives	Yao Xudong, Shi Fang	Wangfei, Zhang Yue

The continuous supervision period is last until the proceeds raised from A Share issuance been used up.

LEGAL ADVISORS OF THE COMPANY

Legal advisor as to PRC law	Beijing Jiayuan Law Firm
Contact address	R407 Ocean Plaza, 158 Fuxingmennei Avenue, Xicheng District, Beijing, China
Legal advisor as to Hong Kong law	DLA Piper Hong Kong
Contact address	17/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong

SHARE REGISTRARS FOR DOMESTIC AND OVERSEAS LISTED SHARES

A Share Registrar	China Securities Depository and Clearing Corporation Limited Shanghai Branch
Contact Address	36/F, China Insurance Building, 166 Lujiazui East Avenue, Pudong New District, Shanghai, China
H Share Registrar	Computershare Hong Kong Investors Services Limited
Contact Address	Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Definitions

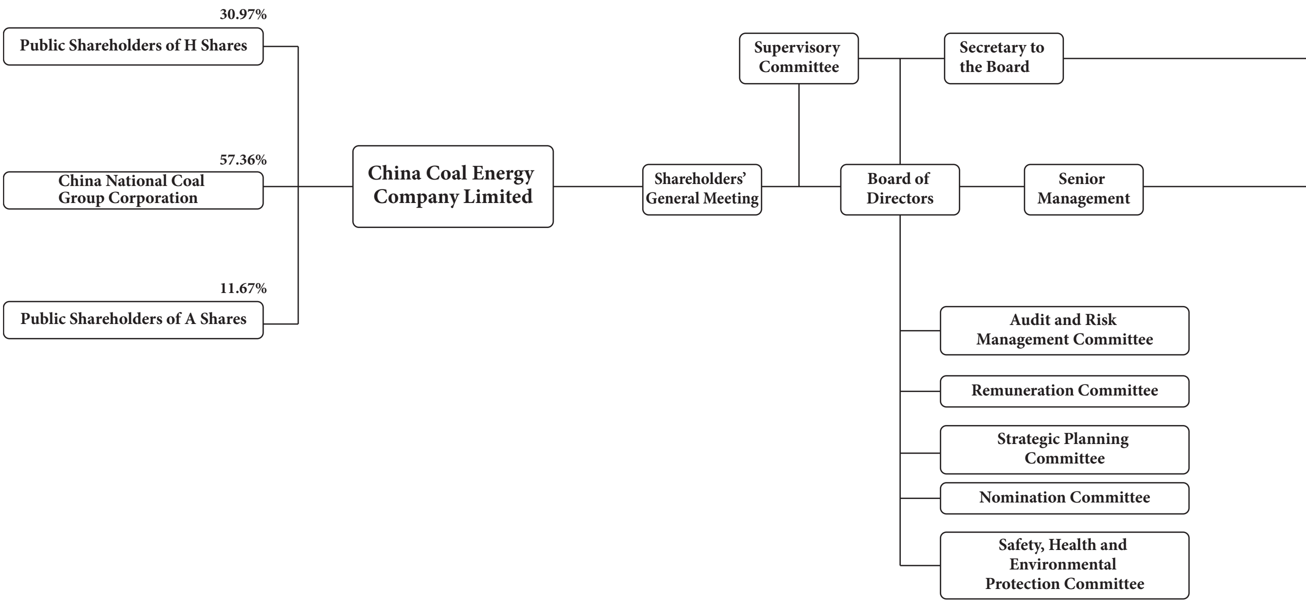
In this report, unless the context otherwise requires, the following expressions have the following meanings:

Company/China Coal Energy/ the Group/the Company	China Coal Energy Company Limited, unless otherwise indicated, also includes all of its subsidiaries
Board of the Company/Board	the board of directors of China Coal Energy Company Limited
Director(s)	the director(s) of the Company, including all the executive directors, non-executive directors and independent non-executive directors
Supervisor(s)	the supervisor(s) of the Company
China Coal Group	China National Coal Group Corporation, the controlling shareholder of the Company
Shanghai Energy Company	Shanghai Datun Energy Resources Company Limited
Pingshuo Mining Area	the coal mining area in Shanxi Province, mainly comprising the Antaibao Open Pit Mine and Underground Mine, the Anjialing Open Pit Mine and Underground Mine, the Jingdong Mine and Pingshuo East Open Pit Mine
Yulin Olefin Project	the Yulin Acetic Acid Deep Processing & Comprehensive Utilisation Project
Tuke Fertiliser Project	the fertiliser project at Tuke Industrial Park in Ordos
Mengda Methanol (Project)	Mengda Coal-based Methanol Project
Mengda Engineering Plastics (Project)	Mengda New Energy Engineering Plastics Project
Pingshuo Inferior Coal Comprehensive Utilisation (Project)	Pingshuo Inferior Coal Comprehensive Utilisation Demonstration Project
Yilan No. 3 Coal Mine	the coal mine affiliated to China Coal Heilongjiang Coal Chemical Engineering Company Limited
Pingshuo Company	China Coal Pingshuo Group Company Limited
Shanxi Coking Coal Group	Shanxi Coking Coal Group Co., Ltd.
China Coal Huajin Company	Shanxi China Coal Huajin Energy Company Limited
Import and Export Company	China Coal Resources Development Group Corporation, formerly known as China Coal Import and Export Company
Huayu Company	China Coal Group Shanxi Huayu Energy Co. Ltd. (formerly known as China Coal Group Shanxi Jinhaiyang Energy Co., Limited)
Heilongjiang Coal Chemical Group	China Coal Heilongjiang Coal Chemical Engineering (Group) Company Limited
Finance Company	China Coal Finance Co., Ltd.

Definitions

Zhongtian Synergetic Company	Zhongtian Synergetic Energy Company Limited
Shaanxi Company	China Coal Shaanxi Yulin Energy & Chemical Company Limited
Ordos Energy Chemical Company	China Coal Ordos Energy Chemical Company Limited
China Coal Yuanxing Company	Inner Mongolia China Coal Yuanxing Energy Chemical Company Limited
China Coal Jiuxin Company	Lingshi Chinacoal Jiuxin Coking Co., Ltd.
Lingshi Chemical Company	Lingshi Chinacoal Chemical Co., Ltd.
CSRC	China Securities Regulatory Commission
HKSE	The Stock Exchange of Hong Kong Limited
HKSE Website	www.hkexnews.hk
SSE	the Shanghai Stock Exchange
SSE Website	www.sse.com.cn
Company Website	www.chinacoalenergy.com
Articles of Association	the articles of association passed at the inaugural meeting of the Company on 18 August 2006 and approved by the relevant state authorities, as amended and supplemented from time to time
A Share(s)	the ordinary share(s) issued to domestic investors in China with approval from CSRC, which are listed on the SSE and traded in RMB
H Share(s)	the overseas listed foreign share(s) of RMB1.00 each in the share capital of the Company, which are listed on the HKSE for subscription in Hong Kong dollars
PricewaterhouseCoopers Zhong Tian	PricewaterhouseCoopers Zhong Tian LLP
PricewaterhouseCoopers	PricewaterhouseCoopers
Share(s)	the ordinary shares of the Company, including A Share(s) and H Share(s)
Shareholder(s)	the shareholder(s) of the Company, including holder(s) of A Shares and holder(s) of H Shares
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
SSE Listing Rules	the Rules Governing the Listing of Stocks on Shanghai Stock Exchange
RMB	RMB yuan

Organisation Chart of the Company



Organisation Chart of the Company

- Securities Affairs Department
- General office
- Department of Strategy Planning (International Collaboration & Development Department)
- Department of Human Resources
- Department of Operation Management
- Financial Department
- Production and Operation Command Centre
- Technology Management Centre
- Department of Coal Chemical Management (Coal Chemical Safety Supervision Bureau, Coal Chemical Research Institute)
- Department of Infrastructure Management
- Department of Science and Technology Development
- Department of Information Management
- Department of Safety, Health and Environmental Protection
- Department of Legal Affairs
- Auditing Department
- Department of Corporate Culture
- Purchase Centre
- Coal Sales Centre
- Coal Chemical Products Sales Centre

- **Branches**
  - China Coal Energy Company Limited, Jinnan Sales Branch
  - China Coal Energy Company Limited, Jinbei Sales Branch
  - China Coal Energy Company Limited, Xinjiang Branch
  - China Coal Energy Company Limited, Ordos Branch
- **Subsidiaries**
  - China Coal Pingshuo Group Company Limited **100%**
  - Shanghai Datun Energy Resources Company Limited **62.43%**
  - China National Coal Mining Equipment Company Limited **100%**
  - China Coal and Coke Holdings Limited **100%**
  - Shanxi China Coal Huajin Energy Company Limited **51%**
  - Shanxi China Coal Dongpo Coal Industry Company Limited **100%**
  - Shaanxi Nanliang Coal Company Limited **55%**
  - Ordos Yihua Mining Resources Company Limited **51%**
  - Wushenqi Mengda Mining Company Limited **66%**
  - China Coal Hami Coal Industry Company Limited **100%**
  - Shanxi Puxian China Coal Jinchang Mining Company Limited **51%**
  - Shanxi Puxian China Coal Yushuo Mining Company Limited **63%**
  - China Coal Xinjiang Coal Electricity Chemical Company Limited **60%**
  - China Coal Yili Coal Electricity Chemical Company Limited **100%**
  - China Coal Heilongjiang Coal Chemical Company Limited **100%**
  - Inner Mongolia China Coal Mengda New Energy & Chemical Company Limited **100%**
  - China Coal Finance Co., Ltd. **91%**
  - Inner Mongolia China Coal Yuanxing Energy Chemical Company Limited **75%**
  - China Coal Ordos Energy Chemical Company Limited **100%**
  - Guangzhou China Coal South China Trading Company Limited **100%**
  - China Coal Xing'an Energy Chemical Engineering Company Limited **100%**
  - China National Coal Development Company Limited **100%**
  - China Coal Tendering Company Limited **100%**
  - Sunfield Resources Pty. Limited **100%**
  - Ordos Yinhe Hongtai Coal Power Company Limited **78.84%**
  - Shuozhou Great Company Limited **100%**
  - Shanxi Zhongxin Tangshangou Coal Industry Company Limited **80%**
  - China Coal Sales and Transportation Company Limited **100%**
  - Shuozhou China Coal Pingshuo Energy Company Limited **100%**
  - Datong China Coal Export Base Development Company Limited **60%**
  - China Coal Shaanxi Yulin Energy & Chemical Company Limited **100%**
- **Equity Investment Companies**
  - Zhongtian Synergetic Energy Company Limited **38.75%**
  - Taiyuan Coal Gasification Longquan Energy Development Company Limited **40%**
  - Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited **30%**
  - Datong Zhongxin Energy Company Limited **42%**
  - Zhejiang Zheneng China Coal Zhoushan Coal & Electricity Company Limited **27%**
  - Tianjin Port China Coal Huaneng Coal Terminal Company Limited **24.5%**
  - Huajin Coking Coal Company Limited **49%**
  - Guotou China Coal Tongmei Jingtang Port Company Limited **21%**
  - Mengji Railway Company Limited **5%**
  - Ordos Southern Railway Company Limited **10%**
  - Tangshan Caofeidian Coal Port Company Limited **5%**
  - Gansu China Coal Tianda Energy Company Limited **50%**
  - China Power Shentou Power Generation Company Limited **20%**
  - Hohhot-Zhungeer-Ordos Railway Company Limited **10%**
  - Ordos Nalin River Coal Mine Development Company Limited **5%**
  - Mengxi-Huazhong Railway Company Limited **10%**

中国中煤能源股份有限公司
CHINA COAL ENERGY COMPANY LIMITED

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