CHINA UNIENERGY GROUP LIMITED
中国优质能源集团有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1573)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the "**Board**") of directors (the "**Director**") of CHINA UNIENERGY GROUP LIMITED (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016 (the "**Reporting Period**").

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately RMB691.0 million (year ended 31 December 2015: RMB486.0 million).
- Sales volume of anthracitic coal amounted to approximately 1,120,000 tonnes (year ended 31 December 2015: 802,000 tonnes).
- Gross profit amounted to approximately RMB403.6 million (year ended 31 December 2015: RMB280.0 million).
- Gross profit margin was 58.4% (year ended 31 December 2015: 57.6%).
- Profit attributable to owners of the Company amounted to approximately RMB213.7 million (year ended 31 December 2015: RMB160.5 million).
- Basic earnings per share was RMB0.33 (year ended 31 December 2015: RMB0.27).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTES	**2016**	2015
		RMB'000	*RMB'000*
Revenue	4	**690,998**	486,016
Cost of sales		**(287,381)**	(206,029)
Gross profit		**403,617**	279,987
Other income		**2,242**	928
Other loss, net		**(964)**	(84)
Distribution and selling expenses		**(3,500)**	(2,569)
Administrative expenses		**(22,814)**	(15,743)
Listing expenses		**(32,774)**	(1,254)
Finance costs	5	**(43,301)**	(43,447)
Share of loss of a joint venture		**(254)**	(198)
Profit before taxation		**302,252**	217,620
Income tax expense	6	**(88,512)**	(57,155)
Profit and total comprehensive income for the year	7	**213,740**	160,465
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**213,740**	160,465
Non-controlling interests		**—**	—
		213,740	160,465
		RMB	*RMB*
Earnings per share	8		
Basic		**0.33**	0.27
Diluted		**0.33**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	**2016** *RMB'000*	2015 *RMB'000*
Non-current assets			
Property, plant and equipment		**293,982**	312,695
Mining rights		**896,759**	921,614
Rehabilitation deposits		**19,874**	19,874
Interest in a joint venture		**9,537**	9,791
Prepaid lease payments - non-current portion		**6,268**	6,582
		1,226,420	1,270,556
Current assets			
Inventories		**1,707**	1,503
Prepaid lease payments - current portion		**314**	314
Trade and other receivables	10	**81,312**	86,290
Short-term bank deposits		**130,000**	—
Bank balances		**160,664**	31,895
		373,997	120,002
Current liabilities			
Trade and other payables	11	**210,661**	201,597
Provision for restoration and environmental costs		**—**	1,850
Tax payables		**32,569**	25,529
Bank borrowings - current portion	12	**232,300**	238,300
		475,530	467,276
Net current liabilities		**(101,533)**	(347,274)
Total assets less current liabilities		**1,124,887**	923,282

	NOTES	2016	2015
		RMB'000	*RMB'000*
Capital and reserves			
Share capital/paid-in capital	13	**47,988**	35,000
Reserves		**705,437**	370,180
Equity attributable to owners of the Company		**753,425**	405,180
Non-controlling interests		**—**	—
Total equity		**753,425**	405,180
Non-current liabilities			
Provision for restoration and environmental costs		**17,048**	18,081
Bank borrowings - non-current portion	12	**342,600**	484,900
Deferred tax liabilities		**11,814**	15,121
		371,462	518,102
		1,124,887	923,282

NOTES:

1. GENERAL, LISTING, REORGANISATION AND BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 8 January 2014. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 July 2016 (the "Listing"). The registered office of the Company is located at Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is located in 31st Floor, Fuzhong International Plaza, Xinhua Road, Nanming District, Guiyang City, Guizhou Province, the People's Republic of China (the "PRC"). Its parent and ultimate holding company is Lavender Row Limited ("Dai BVI"), a limited liability company incorporated in the British Virgin Islands.

The Company is an investment holding company. The principal activity of the Group is the extraction and sale of anthracite coal in the PRC. The Group is holding the mining rights of four anthracite coal mines located in Guizhou Province, the PRC. Three out of the four anthracite coal mines, namely Lasu Coal Mine, Weishe Coal Mine and Luozhou Coal Mine are in commercial production and the remaining one, Tiziyan Coal Mine is under development.

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

In the preparation of the Listing, the Group underwent a group reorganisation (the "Reorganisation") to rationalise the group structure of the companies now comprising the Group.

Prior to the Reorganisation, 貴州優銀投資控股有限公司 (Guizhou Union Investment Holding Company Limited) ("Union Investment") and 貴州瑞聯資產管理有限公司 (Guizhou Ruilian Assets Management Company Limited) ("Guizhou Ruilian") owned 貴州優能(集團)礦業股份有限公司 (Guizhou Union (Group) Mining Co., Ltd.) ("Guizhou Union") as to 50% and 50%, respectively. Union Investment was owned by two individuals, namely Mr. Xu Bo and Mr. Xiao Zhijun, both being directors of the Company (collectively the "Union Investment Shareholders"), as to 80% and 20%, respectively, while Guizhou Ruilian was owned by Union Investment and other five individuals (the "Guizhou Ruilian Individual Shareholders"), as to 50% and 50% (in aggregate), respectively. In addition, pursuant to the relevant shareholders' resolution of Guizhou Union and Guizhou Ruilian, Union Investment, a company controlled by Mr. Xu Bo, was able to exercise control over Guizhou Union and Guizhou Ruilian prior to the Reorganisation.

The Reorganisation principally involved the following steps:

(i) Acquisition/establishment of the Company and its wholly owned subsidiaries, China Unienergy Holdings Limited, China Unienergy Development Co., Limited and 深圳能創新能源開發有限公司 (Shenzhen Nengchuang New Energy Development Company Limited) ("Shenzhen WFOE"), as appropriate. The Company is beneficially owned by the Union Investment Shareholders and the Guizhou Ruilian Individual Shareholders as to the percentages which they effectively held prior to the Reorganisation in the companies now comprising the Group through the two investment holding vehicles, namely Union Investment and Guizhou Ruilian; and

(ii) Acquisition of the entire 100% equity interest in Union Investment and the 50% equity interest in Guizhou Ruilian from the Union Investment Shareholders and the Guizhou Ruilian Individual Shareholders by Shenzhen WFOE on 11 April 2016.

Upon completion of the Reorganisation on 11 April 2016, the Company became a holding company of the companies now comprising the Group.

Basis of presentation

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 31 December 2015 and 2016 have been prepared to present the financial performance, changes in equity and cash flows of the companies now comprising the Group as if the group structure upon the completion of the Reorganisation had been in existence throughout the reporting periods or since their respective dates of acquisition/establishment, or up to the respective dates of disposal, whichever is shorter.

The consolidated statement of financial position of the Group as at 31 December 2015 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date, taking into account the respective dates of disposal.

2. BASIS OF PREPARATION

At 31 December 2016, the Group had net current liabilities of approximately RMB102 million. In preparing the consolidated financial statements, the directors of the Company have carefully considered the future liquidity of the Group and concluded that the Group has sufficient working capital to meet in full its financial obligations as and when they fall due in the foreseeable future, after taking into account (i) the continuous operating cash inflows generated from the Group's business; (ii) the Group's capital expenditure plan for its future business development; and (iii) the availability of banking facilities, amounted to RMB325 million being unutilised facilities. Accordingly, the directors of the Company are satisfied that the adoption of the going concern basis in preparing the consolidated financial statements is appropriate.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[5]

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

[2] Effective for annual periods beginning on or after 1 January 2019.

[3] Effective for annual periods beginning on or after a date to be determined.

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

[5] Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

4. REVENUE AND SEGMENT INFORMATION

All revenues are generated in the PRC. The following is an analysis of the Group's revenue for the year.

	2016	2015
	RMB'000	*RMB'000*
Sale of anthracite coal	**690,985**	485,874
Sale of coalbed methane	**13**	142
	690,998	486,016

Management determines the operating segment based on the information reported to the Group's chief operating decision maker ("CODM"), being the executive directors of the Company, which is prepared based on the Group's accounting policies. During the years ended 31 December 2016 and 2015, the CODM assesses the operating performance and allocates the resources of the Group as a whole as the Group is primarily engaged in the extraction and sale of anthracite coal in the PRC. Accordingly, there is only one operating and reportable segment. All the principal assets employed by the Group are located in the PRC.

Segment assets and liabilities

Information regularly reported to the CODM for the purposes of resources allocation and performance assessment does not include any assets and liabilities. Accordingly, no segment assets and liabilities are presented.

Geographical information

All of the Group's revenues are derived from the operation in the PRC and all the customers of the Group are located in the PRC. In addition, all of the Group's non-current assets, excluding financial assets, are located in the PRC, which is based on the physical location of assets. Therefore, no geographical information is presented.

Information about major customers

Revenue from customers during the year individually contributing over 10% of the Group's revenue is as follows:

	2016	2015
	RMB'000	*RMB'000*
Customer A	**100,057**	99,111
Customer B	**N/A (note)**	71,860
Customer C	**N/A (note)**	66,214
Customer D	**71,963**	61,005

note: The corresponding revenues did not contribute over 10% of the total revenue of the Group.

5. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest expenses on bank borrowings	**40,901**	41,019
Interest on resources fees payable	**1,423**	1,781
Accretion expenses	**977**	647
	43,301	43,447

6. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax	**91,819**	51,081
Deferred taxation	**(3,307)**	6,074
	88,512	57,155

During the years ended 31 December 2016 and 2015, the Group had no assessable profit subject to tax in any jurisdictions other than the PRC.

Under the Law of the PRC on Enterprise Income Tax and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

7. PROFIT FOR THE YEAR

	2016	2015
	RMB'000	*RMB'000*
Profit for the year have been arrived at after charging:		
Directors' emoluments	**1,102**	564
Other staff costs:		
Salaries and other allowances	**112,862**	82,526
Retirement benefits scheme contributions, excluding those of directors	**16,313**	12,915
Total staff costs (included in cost of sales, distribution and selling expenses and administrative expenses)	**130,277**	96,005
Auditor's remuneration	**1,094**	63
Amortisation of mining rights (included in cost of sales)	**20,740**	11,646
Depreciation of property, plant and equipment		
- included in cost of sales	**16,435**	12,454
- included in distribution and selling expenses	**258**	268
- included in administrative expenses	**483**	576
	17,176	13,298
Restoration and environmental costs incurred on an ongoing basis during production (included in cost of sales)	**636**	5,499
Release of prepaid lease payments	**314**	543
Cost of inventories recognised as an expense	**287,381**	206,029

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data.

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**213,740**	160,465

	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**655,344,262**	600,000,000
Effect of dilutive potential ordinary shares in respect of over-allotment option	**806,994**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**656,151,256**	N/A

The number of ordinary shares for the purposes of basic and diluted earnings per share for both years have been determined assuming the Reorganisation, subdivision of shares and capitalisation issue of the Company as disclosed in note 13 had been effective on 1 January 2015.

No diluted earnings per share for the year ended 31 December 2015 is presented as there were no potential ordinary shares outstanding.

9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period.

10. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**78,059**	84,399
Deposits, prepayments and other receivables	**3,253**	1,891
	81,312	86,290

Before accepting any new customers, the Group assesses the customers' credit quality and reputation. This exercise is also performed on a regular basis by the Group. In general, the Group requests advance payments from customers before delivering the goods and no credit period is granted. For certain customers, the Group requests an upfront sales deposit and grants them a credit period of 45 days (2015: 40 days) for purchases from the Group.

The following is an aged analysis of trade receivables, presented based on invoice dates which approximated the respective revenue recognition date, at the end of the reporting period:

	2016	2015
	RMB'000	*RMB'000*
0 - 30 days	**58,992**	64,209
31 - 60 days	**19,067**	20,190
	78,059	84,399

11. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**6,311**	3,260
Upfront sale deposits received	**17,700**	8,500
Accruals for staff costs	**13,710**	11,488
Advanced sales receipts from customers	**176**	7,010
Interest payables	**14,411**	13,296
Other payables and accruals	**6,142**	1,610
Payables for acquisition of property, plant and equipment	**—**	2,632
Other tax payables	**15,710**	17,300
Resources fees payable and accrual (note)	**136,501**	136,501
	204,350	198,337
	210,661	201,597

note: Resources fees are charged by the PRC local government authority upon their approval to upgrade the Group's annual production capacity of the relevant coal mines and the payable amounts are determined based on the total coal reserves in the respective mining areas as assessed and approved by the authority. Included in the amounts are RMB29,055,000 (2015: RMB29,055,000) as at 31 December 2016 which carry interest at the Benchmark Lending Rate of the People's Bank of China and are payable on demand. The amount also included an amount of RMB107,446,000 (2015: RMB107,446,000) estimated and accrued by the management upon the PRC local government authority approving the upgrade of the annual production capacity of Lasu Coal Mine, Weishe Coal Mine and Luozhou Coal Mine in late 2015. Such accrual did not bear interest and the Group is in the process of finalising the actual resources fees to be paid and applying for deferring the payment and agreeing an instalment plan with the relevant authority. Up to the date of this annual results announcement, the approval is yet to obtain.

The following is an aged analysis of trade payables, presented based on the invoice date, at the end of the reporting period:

	2016	2015
	RMB'000	*RMB'000*
0 - 30 days	**6,311**	3,260

The average credit period for purchase of goods is 30 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

12. BANK BORROWINGS

	2016	2015
	RMB'000	*RMB'000*
Secured fixed-rate bank borrowings	**574,900**	723,200
Carrying amount of bank borrowings repayable (note):		
Within one year	**232,300**	238,300
Within a period of more than one year but not exceeding two years	**142,300**	142,300
Within a period of more than two years but not exceeding five years	**200,300**	342,600
	574,900	723,200
Less: Amounts due within one year shown under current liabilities	**(232,300)**	(238,300)
Amounts shown under non-current liabilities	**342,600**	484,900

note: The amounts due are based on scheduled repayment dates set out in the loan agreements.

The ranges of effective interest rates per annum (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2016	2015
Fixd-rate bank borrowings	**4.79% to 6.60%**	5.50% to 6.60%

At 31 December 2016, the Group had pledged its mining rights with a carrying amount of approximately RMB897 million (2015: RMB922 million) to secure general banking facilities granted to the Group.

13. SHARE CAPITAL/PAID-IN CAPITAL

At 31 December 2016

	Number of shares	**Amount** *US$*
Authorised:		
Ordinary shares of US$1.00 each upon acquisition of the Company (note i)	50,000	50,000
Subdivision of shares (note ii)	4,950,000	—
Increase during the year (note ii)	4,995,000,000	49,950,000
Ordinary shares of US$0.01 each as at 31 December 2016	5,000,000,000	50,000,000
Issued and fully paid:		
Ordinary shares of US$1.00 each upon acquisition of the Company (note i)	50,000	50,000
Subdivision of shares (note ii)	4,950,000	—
Issue of new shares by the Company:		
- upon reorganisation (note iii)	5,000,000	50,000
- upon global offering (note iv)	116,000,000	1,160,000
- upon capitalisation issue (note v)	590,000,000	5,900,000
- upon exercise of over-allotment option (note vi)	2,000,000	20,000
Ordinary shares of US$0.01 each as at 31 December 2016	718,000,000	7,180,000
		RMB'000
Shown in the consolidated financial statements as		47,988

At 31 December 2015

At 1 January and 31 December 2015, the amount represented the combined amount of paid-in capital of Union Investment of RMB30,000,000 and half of the paid-in capital of Guizhou Ruilian of RMB5,000,000.

notes:

(i) The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 January 2014. The initial authorised share capital of the Company was US$50,000 divided into 50,000 shares of US$1.00 each. Upon incorporation, 50,000 shares, representing the entire issued share capital of the Company, were issued at par to and held by an independent third party and subsequently transferred to Dai BVI, a limited liability company wholly owned by Ms. Dai (the spouse of Mr. Xu Bo, controlling shareholder of the Company), on 29 March 2016.

(ii) On 15 April 2016, each of the 50,000 shares with par value of US$1.00 each in the authorised share capital of the Company was subdivided into 100 shares with par value of US$0.01 each, resulting in an authorised share capital of the Company of US$50,000 consisting of 5,000,000 shares. Immediately following the subdivision, the authorised share capital of the Company was further increased from US$50,000 consisting of 5,000,000 shares to US$50,000,000 consisting of 5,000,000,000 shares.

(iii) On 15 April 2016, the Company issued and allotted 1,000,000, 1,450,000, 1,500,000, 500,000, 250,000, 200,000, 100,000 shares representing 10.0%, 14.5%, 15.0%, 5.0%, 2.5%, 2.0% and 1.0% of the then issued share capital of the Company, respectively, to Dai BVI, Moonfun Miracle Limited, Noble Fox Holdings Limited, Hidden Goals Limited, Angelzone Holdings Limited, Jubilee One Limited and Fortune Dynamic Investment Limited, at par for a total consideration of US$50,000.

(iv) On 13 July 2016, the Company was successfully listed on the Stock Exchange following the completion of its global offering of 116,000,000 new shares of US$0.01 each issued at a price of HK$1.80 per share. Proceeds of US$1,160,000 (equivalent to RMB7,759,000), representing the par value of the shares issued, was credited to the share capital of the Company. The remaining proceeds of US$25,609,000 (equivalent to RMB172,031,000) was credited to the share premium account.

(v) On 22 June 2016, pursuant to a written resolution of the shareholders of the Company, the Company allotted and issued 590,000,000 shares of US$0.01 each to the then existing shareholders of the Company. This resolution was conditional on the share premium account being credited as a result of the global offering of the Company and pursuant to this resolution, a sum of US$5,900,000 (equivalent to RMB39,466,000) standing to the credit of the share premium account was subsequently applied in paying up this capitalisation in full upon the Listing.

(vi) On 2 August 2016, the sole global coordinator partially exercised the over-allotment option as described in the prospectus of the Company dated 30 June 2016 on behalf of the international underwriters in respect of 2,000,000 additional new shares. The shares were issued and alloted by the Company at HK$1.80 per share. Proceeds of US$20,000 (equivalent to RMB134,000), representing the par value of the shares issued, was credited to the share capital of the Company. The remaining proceeds of US$441,000 (equivalent to RMB2,966,000) was credited to the share premium account.

MANAGEMENT DISCUSSION AND ANALYSIS

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 13 July 2016 (the "**Listing Date**") and it is a great pleasure for the Board to present the first annual results announcement of the Group.

This management discussion and analysis is prepared as of 29 March 2017. It should be read in conjunction with the audited consolidated financial statements and notes thereto of the Group for the year ended 31 December 2016.

Business Review, Market Review and Prospect

According to data from the National Bureau of Statistics of the PRC, China's overall economy maintained a steady growth in 2016. In 2016, the average growth rate of GDP in China was 6.7%, and recorded a GDP of RMB74,412.7 billion. The year-on-year increase in GDP recorded in the first, second, third and fourth quarter was 6.7%, 6.7%, 6.7% and 6.8%, respectively.

The PRC government continued its policy of reducing the production capacity of the coal industry. Based on the data from the National Bureau of Statistics, in 2016, output of raw coal in China has decreased for the third consecutive years, down by 9% compared to that of 2015. Based on the data from the National Energy Administration of the PRC, China has planned to close down over 500 backward coal mines across the nation in 2017, reducing the production capacity by approximately 50 million tonnes. As one of the premium coal production base in China, Guizhou Province is also implementing and following the production capacity reduction national policy, and will reduce the production capacity of the province by 15 million tonnes, and close down coal mines with an annual capacity lower than 300,000 tonnes. In addition, the PRC government has raised the limitation over coal import by prolonging the examination period of five trace elements for imported coal, which would lower the volume of imported coal considerably. As a result of the continuous implementation of production capacity reduction policy and limitation over coal import, supply within the coal market will be further reduced.

Certain downstream businesses of the coal industry have experienced recovery and growth to a certain extent during the year 2016. According to the data from the National Bureau of Statistics, in 2016, the national crude steel output was 808.37 million tonnes, representing a year-on-year increase of 1.2%; steel output was 1,138.01 million tonnes, representing a year-on-year increase of 2.3%. According to the Ministry of Industry and Information Technology of the PRC, the steel industry has experienced a double increase in production and consumption, with a domestic crude steel apparent consumption returned to 71.0 billion tonnes after a drop for two consecutive years, representing a year-on-year increase of 1.3%. China's crude steel output attributes to 49.6% of the global market, up 0.2%. At the same time, as per the Ministry of Industry and Information Technology, the steel price has hit the trough and is on the way of recovery. In 2016, the domestic steel price started to climb after years of downward movement, with the composite price index of steel increased by 43.14 points from 56.37 points at the beginning of the year to 99.51 points, representing an increase of 76.5% to RMB302.7, returning to the above RMB300 interval. The price index of the cement industry at the end of the year recorded a year-on-year increase of 23.18%. According to the information of the thermal power industry published by the Ministry of Industry and Information Technology, the installed capacity of thermal power generation is 1,053.88 million kW, representing an increase of 5.3%. During the second half year of 2016, with the end of coal destocking stage and the periodic increase in demand within the downstream coal industry, the market has even experienced an expeditious inflation in coal prices and shortage in local coal supply in certain regions.

Recovery in the coal industry has also manifested in the performance of coal enterprises. A number of coal enterprises listed on the domestic A shares market have shown a considerable profit growth rate in their 2016 interim reports. According to the price profiles of several major coal enterprises, the current spot price is higher than the price index of the latest period. Evidenced by the abovementioned information, the current supply and demand levels of the coal market is favourable and the market remains active, with slight fluctuation but overall steady coal prices.

In regard to the three coal mines of the Group, namely the Weishe Coal Mine, Luozhou Coal Mine and Lasu Coal Mine, with the installation and operation of the coal washing facilities in the third quarter of 2015, coupled with the increase in current market price of coal products, resulting in an increase in average sales price of clean coal and fine coal of the Group. Moreover, the production capacity of Weishe Coal Mine, Luozhou Coal Mine and Lasu Coal Mine has been increased, which drove up the sales volume. The Group has also implemented technology upgrades at our coal mines, which drove up the annual production capacity of Luozhou Coal Mine and Lasu Coal Mine during the last quarter of 2015 and the first quarter of 2016 respectively. Mining right with increased annual production capacity of Luozhou Coal Mine has been obtained. During the last quarter of 2015, Weishe Coal Mine has also increased its annual production capacity during the joint trial run, and its mining right has also been obtained for increasing the permitted annual production capacity. Due to the increase in the production volume and sales volume of coal mines, the Group recorded a significant increase in consolidated net profit in the reporting period as compared to the audited consolidated net profit of the year ended 31 December 2015.

As the coal industry continue to reduce its production capacity, the year 2017 will be an important year in terms of deepening the reformation of the industry. As the nation put more focus on the environmental issues, the National Energy Administration Planning Bureau will be promoting environmental friendly mining of coal, and limit the mining of coal resources with a high sulphur, ash, arsenic and fluorine content. As the producer of high energy, low sulphur content and low ash content high quality anthracite coal, the products of the Group enjoy good appeal and competitiveness on the market.

As abovementioned, as China is experiencing steady economic growth, along with the continuous implementation of production capacity reduction policy within the coal industry by the PRC government, the recovery of the coal industry and its downstream businesses, the PRC government imposing higher limits over coal import and limits over the dirtier coal resources, the combination effect of the aforesaid factors resulted in a shortage of market supply over the market demand, especially the higher demand of high quality and more environmental friendly coal resources on the market.

Financial Review

Revenue

During the Reporting Period, the Group recorded a revenue of approximately RMB691.0 million, representing an increase of approximately RMB205.0 million, or a rise of 42.2%, from approximately RMB486.0 million for the year ended 31 December 2015. The increase in the revenue was primarily attributable to the increase in sales volume of anthracite coal to approximately 1,120,000 tonnes, representing a rise of 39.7% from approximately 802,000 tonnes for the year ended 31 December 2015. Weishe Coal Mine, Luozhou Coal Mine and Lasu Coal Mine have increased the production capacity, hence the sales volume has also increased. With the technology upgrade of the Group's coal mines, the Weishe Coal Mine and Luozhou Coal Mine have both increased the annual production capacity under joint trial run since last quarter of 2015, while the Lasu Coal Mine has increased its annual production capacity under joint trial run since first quarter of 2016.

Cost of Sales

The Group's cost of sales increased by 39.5% to approximately RMB287.4 million during the Reporting Period from approximately RMB206.0 million for the year ended 31 December 2015, which was primarily attributable to the significant increase in anthracite coal production resulting in the increase in (i) staff costs; (ii) depreciation and amortisation of mining rights; and (iii) resources tax and surcharges.

The Group's cost of sales per tonne remained stable at RMB257 per tonne for both years.

The following table sets forth a breakdown of the Group's average cost of sales per tonne of anthracite coal in the periods as indicated below:

Cost of sales per tonne	**Year ended 31 December**	
	2016	**2015**
	RMB/Tonne	*RMB/Tonne*
Staff costs	105	106
Cost of materials, fuel and energy	73	70
Depreciation and amortisation	35	30
Business taxes and surcharges	40	39
Restoration and environmental costs	2	9
Others	2	3
Total	257	257

Gross Profit and Gross Profit Margin

As a result of the foregoing, the gross profit increased by 44.1% from approximately RMB280.0 million from the year ended 31 December 2015 to approximately RMB403.6 million for the Reporting Period. The gross profit margin increased from approximately 57.6% for the year ended 31 December 2015 to approximately 58.4% for the Reporting Period. This was mainly due to the installation and operation of coal washing facilities at three operating mines of the Group, i.e. the Weishe Coal Mine, Luozhou Coal Mine and Lasu Coal Mine during the third quarter of 2015, resulting the increase in the average sales prices of clean coal and fine coal of the Group.

Distribution and Selling Expenses

During the Reporting Period, the Group's distribution and selling expenses were approximately RMB3.5 million, representing an increase of RMB0.9 million, or a rise of approximately 34.6%, from approximately RMB2.6 million for the year ended 31 December 2015, which was primarily attributable to the increase in salaries and employee benefits expenses for sales and marketing staff as a result of the increase in the number of employees and general level of salaries and employee benefits for employees.

Administrative Expenses

During the Reporting Period, the Group's administrative expenses were approximately RMB22.8 million, representing an increase of RMB7.1 million, or a rise of approximately 45.2%, from approximately RMB15.7 million for the year ended 31 December 2015, which was primarily attributable to the increase in salaries and employee benefits expenses for administrative staff as a result of the increase in the number of employees and general level of salaries and employee benefits for employees.

Listing Expenses

Listing expenses in relation to the global offering primarily consist of fees paid or payable to professional parties.

Finance Costs

During the Reporting Period, the Group's finance costs were approximately RMB43.3 million, representing a decrease of RMB0.1 million, or a drop of approximately 0.2%, from approximately RMB43.4 million for the year ended 31 December 2015, which was primarily attributable to the slight decrease in average loan balance.

Income Tax Expense

During the Reporting Period, the Group's income tax expense was approximately RMB88.5 million, representing an increase of RMB31.3 million from approximately RMB57.2 million for the year ended 31 December 2015, which was primarily attributable to the growth in the Group's business and hence resulting a higher taxable profit.

Profit and Total Comprehensive Income Attributable to Owners of the Company

During the Reporting Period, profit and total comprehensive income attributable to owners of the Company was approximately RMB213.7 million, representing an increase of RMB53.2 million, or a rise of approximately 33.1%, from approximately RMB160.5 million for the year ended 31 December 2015. The increase was primarily attributable to the sales growth during the Reporting Period.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2016, the Group had net current liabilities of approximately RMB101.5 million (31 December 2015: RMB347.3 million).

The Group intends to finance its future capital expenditure requirements mainly with the net proceeds from the global offering, cash from operating activities and bank borrowings. As at 31 December 2016, the Group had unutilised banking facilities in the amount of approximately RMB325.1 million (31 December 2015: RMB176.8 million). The bank borrowings mainly carry interest rate ranging from 4.79% to 6.60%.

As of 31 December 2016, the Group had cash and cash equivalents of approximately RMB160.7 million. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with the covenants under the relevant loan.

Capital Commitments

There were no capital commitments as at 31 December 2016 (31 December 2015: Nil).

Gearing Ratio

As at 31 December 2016, the gearing ratio (total bank borrowings over total equity attributable to owners of the Company) was 76.3% (31 December 2015: 178.5%). The decrease in the gearing ratio during the Reporting Period was primarily attributable to (i) the increase in short-term bank deposits and cash and cash equivalents after the listing of the Company's share on the Main Board of the Stock Exchange and (ii) the decrease in total bank borrowings. As at 31 December 2016, the Group had total bank borrowings amounted to approximately RMB574.9 million (31 December 2015: RMB723.2 million).

Capital Structure

On the Listing Date, 116,000,000 new shares of the Company were allotted and issued by the Company. On 2 August 2016, pursuant to the partial exercise of the over-allotment option, 2,000,000 new shares of the Company were allotted and issued by the Company. There has been no change in the capital structure of the Company since then. The capital of the Company comprises ordinary shares and other reserves.

Contingent Liabilities

Between 2013 and 2015, the Group entered into five conditional asset transfer agreements with independent third parties to acquire all the assets and liabilities in five companies (with respect to Daihaizi Coal Mine, Xinfeng Coal Mine, Chengguan Coal Mine, Hongfa Coal Mine and Qingsong Coal Mine), each of which is inactive but holding the mining right of an anthracite coal mine in Guizhou Province of the PRC. Each of the agreements contain a number of condition precedents including, but not limited to, transfer of mining right to the Group, technological upgrade and related application for upgrading the annual production capacity of the mines by the vendors, obtaining the updated mining right licenses with the increased production capacity, satisfactory completion of the due diligence by the Group as well as consideration determination based on professional valuation. At the end of the Reporting Period, the respective acquisitions are yet to complete given the fact that many of the key completion precedents are not satisfied. Hence, the Directors of the Company consider that it is unlikely that future economic benefits associated with the mines will flow to the Group in the near term and the consideration of the transactions cannot be accurately measured. The Directors of the Company concluded that the risks and rewards of those anthracite coal mines are yet to be transferred to the Group. Notwithstanding there are certain obligations imposed on the Group in the respective asset transfer agreements as well as those mining license transfer agreements subsequently entered into, the management of the Group, having consulted its PRC legal advisers, considered that contingent liabilities adhered to those agreements are remote and yet to estimate reliably. Hence, no provision has been made in the financial statements in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

During the Reporting Period, the Group entered into supplemental agreements with the vendors to delineate the rights and obligations between the parties under the proposed acquisitions and each of the vendors agreed to indemnify the Group and its directors and shareholders for any potential liabilities therefrom. In addition, the Group has the sole and absolute discretion to decide whether or not to proceed with the acquisitions in accordance with the supplemental agreements. Based on the foregoing, the management of the Group is of the view that no provision is considered necessary.

In addition, in connection with one of the above proposed conditional assets transfer agreements, the Group is a defendant to a claim with a third party regarding the non-payment of outstanding consideration and related liquidated damages of approximately RMB25.2 million in relation to Laowangchong Coal Mine. The outstanding consideration should be paid by the relevant vendor under the proposed conditional assets transfer agreement (the "**Vendor**") as the Group acted as an agent and the contracting party of the Vendor to acquire the coal mine for closure for the purpose of upgrading the annual production capacity of the Vendor's coal mine, which is the subject of the proposed acquisition. The management of the Group, having consulted its PRC legal advisers, considers that the Group's non-payment would not constitute a breach of contract under the Contract Law of the PRC and the Group does not have any obligation to perform the agreement nor pay the outstanding balance due to the third party failing to fulfill a pre-condition of the agreements previously reached. As such, no provision is considered necessary and provision for loss has not been made. Please refer to the prospectus of the Company for further details. As of 31 December 2016, the Company had not received the judgment of the above claim.

Employee and Remuneration Policy

As of 31 December 2016, the Group had a total of 1,563 employees. The employee's remuneration policy of the Group are formulated on the basis of the performance, work experience and salary level prevailing in the market. The Group has not experienced any significant employment issues or any suspension of operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

Significant Acquisition and Disposal of Assets

There was no significant acquisition and disposal of assets during the Reporting Period and up to the date of this announcement.

Off-balance Sheet Arrangement

The Group has not entered into, nor does it expect to enter into, any off-balance sheet arrangement. The Group also has not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties.

SUBSEQUENT EVENTS AFTER REPORTING PERIOD

There is no material event undertaken by the Company or the Group subsequent to 31 December 2016 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the period from the Listing Date to 31 December 2016, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

USE OF PROCEEDS

Net proceeds from the global offering amounted to approximately HK$154.7 million (including the proceeds received pursuant to the partial exercise of the over-allotment option), and are intended to be used in the manner as set out in the prospectus of the Company. For the period from the Listing Date to 31 December 2016, a total of HK$3.48 million had been applied to the working capital and other general corporate purposes. Apart from that, the rest of the net proceeds from the global offering had not been utilised.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own corporate governance framework. The Company complied with the code provisions as set out in the CG Code from the Listing Date to 31 December 2016, save for the deviations from code provision A.2.1 as disclosed below.

Chairman and Chief Executive

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive of the Company should be performed by separate individuals, but due to Mr. Xu Bo's background, qualifications and experience at the Company, he was considered the most suitable person to take up both roles in the current circumstances. The Board believes that it is appropriate and in the best interests of the Company that Mr. Xu Bo holds both positions at the current stage, as it helps to maintain the continuity, the stability and efficiency of the operations of the Company. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-calibre individuals including four independent non-executive Directors offering independent advice from different perspectives. In addition, major decisions are made after consultation with the Board and appropriate Board committee. The Board is therefore of the view that there are adequate balance and safeguards in place.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions.

The Company was listed on the Stock Exchange on 13 July 2016. Therefore, the relevant standards set out in the Model Code were not applicable to the Company during the period from 1 January 2016 to 12 July 2016.

The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have complied with the required standards as set out in the Model Code for the period from the Listing Date to 31 December 2016.

AUDIT COMMITTEE

The Company has an audit committee (the "**Audit Committee**") which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting system, risk management and internal control. The Audit Committee comprises three independent non-executive directors, namely Mr. Fu Lui (chairman), Mr. Jiang Chenglin and Mr. Choy Wing Hang William.

The Audit Committee had reviewed, with the management and the external auditor of the Company, the audited consolidated financial statements for the year ended 31 December 2016 of the Group, the accounting principles and policies adopted by the Group. The Audit Committee has also reviewed the effectiveness of the financial control, internal control and risk management systems of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

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

FINAL DIVIDEND

The Board does not recommend the distribution of any final dividend for the Reporting Period.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Wednesday, 28 June 2017. The notice of the AGM will be published and dispatched in due course in the manner as required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders' eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 23 June 2017 to Wednesday, 28 June 2017, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all duly completed share transfer forms accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 22 June 2017.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.unienergy.hk), and the annual report will be dispatched to the shareholders of the Company and will be made available on the websites of the Stock Exchange and the Company in due course.

By order of the Board
CHINA UNIENERGY GROUP LIMITED
Xu Bo
Chairman

Guiyang, People's Republic of China
29 March 2017

As at the date of this announcement, the executive directors of the Company are Mr. Xu Bo, Mr. Wei Yue and Mr. Xiao Zhijun; and the independent non-executive directors of the Company are Mr. Jiang Chenglin, Mr. Choy Wing Hang William, Mr. Lee Cheuk Yin Dannis and Mr. Fu Lui.