中煤

CHINA COAL ENERGY COMPANY LIMITED*

中國中煤能源股份有限公司

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

(Stock Code: 01898)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS:

- In 2015, the Group's revenue amounted to RMB59.271 billion, representing a decrease of RMB11.393 billion or 16.1% as compared with 2014.
- In 2015, the profit attributable to equity holders of the Company amounted to RMB-3.267 billion, representing a decrease of RMB3.408 billion or 2,417.0% as compared with 2014.
- In 2015, the basic earnings per share of the Company was RMB-0.25, representing a decrease of RMB0.26 as compared with 2014.
- In 2015, EBIDTA amounted to RMB7.079 billion, representing a decrease of RMB0.871 billion or 11.0% as compared with 2014.
- The Board dose not recommend the payment of final dividends for the year 2015, which is subject to the approval by the Shareholders at the annual general meeting to be held in 2016.

The Board of China Coal Energy Company Limited is pleased to announce the audited annual results of the Group for the year ended 31 December 2015 prepared by the Group in accordance with the International Financial Reporting Standards ("IFRS"):

A. SELECTED CONSOLIDATED FINANCIAL INFORMATION PREPARED IN ACCORDANCE WITH IFRS

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Revenue	3	**59,270,865**	70,663,840
Cost of sales			
Materials used and goods traded		**(24,199,733)**	(31,555,126)
Staff costs		**(4,229,628)**	(4,335,055)
Depreciation and amortisation		**(6,393,236)**	(4,934,651)
Repairs and maintenance		**(824,533)**	(834,501)
Transportation costs and port expenses		**(11,735,216)**	(11,834,022)
Sales taxes and surcharges		**(1,492,708)**	(1,078,112)
Others		**(6,292,032)**	(8,896,464)
Cost of sales		**(55,167,086)**	(63,467,931)
Gross profit		**4,103,779**	7,195,909
Selling, general and administrative expenses		**(4,400,328)**	(4,903,538)
Other income		**56,297**	16,298
Other gains, net		**283,472**	187,999
Profit from operations		**43,220**	2,496,668
Finance income	4	**965,660**	763,133
Finance costs	4	**(4,946,870)**	(2,715,006)
Share of profits of associates and joint ventures		**362,312**	134,485
(Loss)/profit before income tax		**(3,575,678)**	679,280
Income tax credit/(expense)	5	**748,178**	(191,768)
(Loss)/profit for the year		**(2,827,500)**	487,512
(Loss)/profit attributable to:			
Equity holders of the Company		**(3,266,791)**	141,097
Non-controlling interests		**439,291**	346,415
		(2,827,500)	487,512
Basic and diluted (loss)/earnings per share for the (loss)/profit attributable to the equity holders of the Company (RMB)	6	**(0.25)**	0.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
(Loss)/profit for the year	**(2,827,500)**	487,512
Other comprehensive (loss)/income:		
Items that may be reclassified to profit or loss		
Fair value changes on available-for-sale financial assets, net of tax	**(872)**	7,167
Currency translation differences	**(8,396)**	(20,084)
Total items that may be reclassified to profit or loss	**(9,268)**	(12,917)
Other comprehensive loss for the year, net of tax	**(9,268)**	(12,917)
Total comprehensive (loss)/income for the year	**(2,836,768)**	474,595
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	**(3,276,059)**	128,180
Non-controlling interests	**439,291**	346,415
	(2,836,768)	474,595

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015

		As at 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**128,805,171**	126,367,333
Investment properties		**50,836**	51,154
Land use rights		**4,889,260**	4,691,349
Mining rights and exploration rights		**32,843,807**	33,167,714
Intangible assets		**1,363,034**	264,294
Investments in associates		**11,221,621**	10,135,191
Investments in joint ventures		**1,878,577**	670,812
Available-for-sale financial assets		**5,566,926**	4,340,765
Deferred income tax assets		**2,425,963**	1,155,655
Long-term receivables		**245,524**	207,675
Other non-current assets		**6,716,696**	7,179,299
		196,007,415	188,231,241
Current assets			
Inventories		**6,825,048**	8,622,473
Trade and notes receivables	*8*	**13,268,942**	13,459,490
Prepayments and other receivables		**9,726,628**	7,217,133
Restricted bank deposits		**2,586,039**	2,534,610
Term deposits with initial terms of over three months		**18,416,259**	5,815,521
Cash and cash equivalents		**11,195,663**	18,131,712
		62,018,579	55,780,939
TOTAL ASSETS		**258,025,994**	244,012,180
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		**13,258,663**	13,258,663
Reserves	*9*	**42,775,332**	43,069,928
Retained earnings		**27,673,574**	30,575,152
		83,707,569	86,903,743
Non-controlling interests		**16,574,854**	16,025,405
Total equity		**100,282,423**	102,929,148

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015

		The Group	
		As at 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**54,479,691**	51,015,961
Long-term bonds		**25,896,299**	30,855,018
Deferred income tax liabilities		**6,821,961**	7,505,602
Deferred revenue		**784,397**	617,942
Provision for employee benefits		**41,283**	56,777
Provision for close down, restoration and environmental costs		**1,308,799**	1,224,927
Other long-term liabilities		**764,390**	877,996
		90,096,820	92,154,223
Current liabilities			
Trade and notes payables	*10*	**20,665,655**	23,421,126
Accruals, advances and other payables		**13,289,854**	11,245,890
Short-term bonds		**2,000,000**	500,000
Current portion of long-term bonds		**14,972,791**	–
Taxes payable		**1,017,466**	904,557
Short-term borrowings		**5,657,929**	6,005,048
Current portion of long-term borrowings		**10,019,483**	6,831,879
Current portion of provision for close down, restoration and environmental costs		**23,573**	20,309
		67,646,751	48,928,809
Total liabilities		**157,743,571**	141,083,032
TOTAL EQUITY AND LIABILITIES		**258,025,994**	244,012,180

B. NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRS”). 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 group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the group’s products; and (b) the availability of bank finance for the foreseeable future. The group’s forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities. 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 its consolidated financial statements.

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on after 1 January 2015.

- Amendment to IAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

- Amendments from annual improvements to IFRSs – 2010-2012 Cycle, on IFRS 8, 'Operating segments', IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' and IAS 24, 'Related party disclosures'.

- Amendments from annual improvements to IFRSs – 2011-2013 Cycle, on IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property'.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2015 are not material to the Group.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

3 SEGMENT INFORMATION

1) General information

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

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

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

b. Reportable segments

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

- Coal – Production and sales of coal;
- Coal-chemical products – Production and sales of coal-chemical products;
- Mining machinery – Manufacturing and sales of mining machinery.

2) Information about reportable segment profit, assets and liabilities

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

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

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

b. Reportable segments' profit, assets and liabilities

	For the year ended and as at 31 December 2015						
	Coal	Coal-chemical	Mining Machinery	Others (note)	Non operating segment	Inter-segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue							
Total revenue	**42,106,071**	**11,931,918**	**4,979,978**	**3,166,845**	**–**	**(2,913,947)**	**59,270,865**
Inter-segment revenue	**(1,640,153)**	**(16,948)**	**(480,869)**	**(775,977)**	**–**	**2,913,947**	**–**
Revenue from external customers	**40,465,918**	**11,914,970**	**4,499,109**	**2,390,868**	**–**	**–**	**59,270,865**
Profit/(loss) from operations	**(2,184,752)**	**2,457,443**	**121,227**	**(35,003)**	**(323,319)**	**7,624**	**43,220**
Profit/(loss) before income tax	**(3,538,685)**	**1,289,578**	**29,521**	**387,198**	**(1,736,300)**	**(6,990)**	**(3,575,678)**
Interest income	**88,546**	**141,183**	**5,899**	**8,445**	**1,859,000**	**(1,137,413)**	**965,660**
Interest expense	**(1,545,508)**	**(1,295,730)**	**(88,221)**	**(31,748)**	**(3,564,091)**	**1,568,987**	**(4,956,311)**
Depreciation and amortisation	**(4,452,458)**	**(1,659,339)**	**(374,156)**	**(513,396)**	**(36,480)**	**–**	**(7,035,829)**
Share of profit/(losses) of associates and joint ventures	**88,053**	**(13,767)**	**(4,535)**	**–**	**292,561**	**–**	**362,312**
Income tax (expense)/credit	**1,269,658**	**(365,729)**	**(11,135)**	**(164,067)**	**(723)**	**20,174**	**748,178**
Other material non-cash items							
Provision for impairment of property, plant and equipment	**–**	**–**	**–**	**(34,793)**	**–**	**–**	**(34,793)**
Provision for impairment of other assets	**(130,788)**	**(11,495)**	**(31,443)**	**(115,393)**	**–**	**–**	**(289,119)**
Segment assets and liabilities							
Total assets	**129,674,801**	**55,647,125**	**17,858,773**	**23,812,187**	**33,599,379**	**(2,566,271)**	**258,025,994**
Include: investment in associates and joint ventures	**2,315,068**	**480,211**	**96,917**	**–**	**10,208,002**	**–**	**13,100,198**
Addition to non-current assets	**8,585,074**	**4,722,113**	**610,991**	**646,698**	**5,657**	**–**	**14,570,533**
Total liabilities	**47,479,100**	**25,194,720**	**6,036,283**	**8,239,937**	**73,361,220**	**(2,567,689)**	**157,743,571**

	For the year ended and as at 31 December 2014						
	Coal	**Coal-chemical**	**Mining Machinery**	**Others** *(note)*	**Non operating segment**	**Inter-segment elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue							
Total revenue	58,463,860	4,284,935	6,135,034	3,611,673	–	(1,831,662)	70,663,840
Inter-segment revenue	(397,145)	–	(545,287)	(889,230)	–	1,831,662	–
Revenue from external customers	58,066,715	4,284,935	5,589,747	2,722,443	–	–	70,663,840
Profit/(loss) from operations	2,646,512	143,118	133,431	(21,586)	(341,234)	(63,573)	2,496,668
Profit/(loss) before income tax	1,269,370	(19,909)	88,698	176,097	(782,820)	(52,156)	679,280
Interest income	66,198	228,141	7,668	274,558	669,098	(482,530)	763,133
Interest expense	(1,445,699)	(395,400)	(46,411)	(76,693)	(1,267,205)	498,667	(2,732,741)
Depreciation and amortisation	(4,434,645)	(245,803)	(235,031)	(508,333)	(29,451)	–	(5,453,263)
Share of profit/(losses) of associates and joint ventures	(33,193)	14,997	(3,443)	–	156,124	–	134,485
Income tax (expense)/credit	(66,306)	6,865	(50,370)	(102,557)	219	20,381	(191,768)
Other material non-cash items							
Provision for impairment of property, plant and equipment	–	–	(11,309)	–	–	–	(11,309)
Provision for impairment of other assets	(323,439)	(244)	(74,641)	(97,719)	–	–	(496,043)
Segment assets and liabilities							
Total assets	129,599,546	47,114,655	17,818,074	20,676,189	32,904,812	(4,101,096)	244,012,180
Include: investment in associates and joint ventures	575,662	633,708	80,714	–	9,515,919	–	10,806,003
Addition to non-current assets	12,936,448	10,180,976	1,606,127	302,788	598,393	–	25,624,732
Total liabilities	47,559,419	22,580,340	6,361,641	6,015,806	62,564,986	(3,999,160)	141,083,032

Note: These activities are excluded from the reportable operating segments, as these activities are not reviewed by the CODM.

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

3) Geographical information

Analysis of revenue

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Domestic markets	**57,903,697**	70,278,983
Overseas markets	**1,367,168**	384,857
	59,270,865	70,663,840

Note:

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

Analysis of non-current assets

	2015	2014
	RMB'000	*RMB'000*
PRC	**187,768,539**	182,526,495
Australia	**463**	651
	187,769,002	182,527,146

Note:

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

4 FINANCE INCOME AND COSTS

	2015	2014
	RMB'000	*RMB'000*
Interest expense:		
– Bank borrowings	**4,307,791**	3,437,144
– Long-term and short-term bonds	**2,013,723**	1,745,251
– Provisions: unwinding of discount	**85,583**	88,111
Other incidental bank charges	**10,467**	2,945
Net foreign exchange gains	**(19,908)**	(20,680)
Finance costs	**6,397,656**	5,252,771
Less: amounts capitalised on qualifying assets	**(1,450,786)**	(2,537,765)
Total finance expenses	**4,946,870**	2,715,006
Finance income:		
– interest income on bank deposits	**804,822**	607,307
– interest income on loans receivable	**160,838**	155,826
Total finance income	**965,660**	763,133
Finance costs, net	**3,981,210**	1,951,873

Note:

(a) Finance costs capitalised on qualifying assets are related to funds borrowed for the purpose of obtaining a qualifying asset. Capitalisation rates on such borrowings were as follows:

	2015	2014
Capitalisation rate used to determine the amount of finance costs eligible for capitalisation	**5.00%-6.29%**	5.42%-7.15%

5 INCOME TAX EXPENSE

	2015	2014
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax *(note (a))*	**907,447**	776,198
Deferred income tax *(Note 24)*	**(1,655,625)**	(584,430)
	(748,178)	191,768

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 2015 and 2014 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:

	2015	2014
	RMB'000	*RMB'000*
(Loss)/profit before income tax	**(3,575,678)**	679,280
Tax calculated at applicable tax rates	**(893,920)**	169,820
Preferential tax rates on the income of certain subsidiaries	**(6,167)**	(17,214)
Income not subject to taxation	**(92,956)**	(55,595)
Expenses not deductible for taxation purposes	**102,930**	55,492
Utilisation of previously unrecognised tax losses	**(25,701)**	(2,525)
Tax losses for which no deferred income tax asset has been recognised	**229,131**	54,862
Additional expenses allowable for tax deduction	**(61,495)**	(13,072)
Income tax (credit)/expense	**(748,178)**	191,768

The weighted average applicable tax rate was 21% (2014: 28%).

6 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share are calculated by dividing the (loss)/profit attributable to equity holders of the Company by the number of 13,258,663,400 ordinary shares in issue during the year.

As the Company had no dilutive instruments for the years ended 31 December 2015 and 2014, diluted (loss)/earnings per share are presented equals to basic (loss)/earnings per share.

7 DIVIDENDS

	2015	2014
	RMB'000	*RMB'000*
Dividends recorded:		
– final dividend for 2013, paid *(note (a))*	**–**	1,073,952
– final dividend for 2014, paid *(note (b))*	**319,649**	–

	2015	2014
	RMB'000	*RMB'000*
Dividends proposed after the balance sheet date:		
– final dividend for 2014 *(note (b))*	**–**	319,787

Notes:

(a) On 13 May 2014, after approval from the annual general meeting of shareholders, the Company declared 2013 final dividend of RMB0.081 Yuan per share, and the Company made dividend payment of approximately RMB1,073,952,000 during 2014.

(b) On 16 June 2015, after approval from the annual general meeting of shareholders, the Company declared 2014 final dividend of RMB0.024 Yuan per share, and the Company made dividend payment of approximately RMB319,649,000 in July 2015.

8 TRADE AND NOTES RECEIVABLES

	31 December 2015	31 December 2014
	RMB'000	*RMB'000*
Trade receivables, net *(note (a))*	**9,679,830**	8,222,019
Notes receivables *(note (b))*	**3,589,112**	5,237,471
	13,268,942	13,459,490

Notes:

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

	31 December 2015	31 December 2014
	RMB'000	*RMB'000*
Within 6 months	**5,817,040**	5,352,151
6 months – 1 year	**2,053,096**	1,504,740
1 – 2 years	**1,624,152**	1,266,055
2 – 3 years	**337,070**	258,839
Over 3 years	**337,939**	289,077
Trade receivables, gross	**10,169,297**	8,670,862
Less: impairment of receivables	**(489,467)**	(448,843)
Trade receivables, net	**9,679,830**	8,222,019

As at 31 December 2015 and 2014, there are no significant trade receivables that are past due but are not impaired. The individually impaired receivables primarily relate to customer who are in financial difficulty.

(b) Notes receivables are principally bank accepted bills of exchange with maturity of less than one year (2014: less than one year).

9 RESERVES

	Capital reserve	Statutory reserve funds	General reserve	Future development fund	Safety fund	Other funds relevant to coal enterprise	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 2014	30,648,848	3,992,822	–	76,136	70,324	2,720,401	(47,244)	6,507,928	30,583,146	74,552,361
Profit for the year	–	–	–	–	–	–	–	–	141,097	141,097
Other comprehensive (loss)/income	–	–	–	–	–	–	(20,084)	7,167	–	(12,917)
Appropriations	–	–	–	(20,109)	(56,412)	(602,081)	–	–	678,602	–
Acquisition of a subsidiary under common control	–	–	–	–	–	–	–	(1,234)	–	(1,234)
Share of change in reserves of associates	–	–	–	–	–	–	–	123,485	(69,915)	53,570
Contributions	2,197	–	–	–	–	–	–	–	–	2,197
Dividends *(Note 34)*	–	–	–	–	–	–	–	–	(1,073,952)	(1,073,952)
Loss of significant influence over an associate	–	–	–	–	–	–	–	(332,216)	316,174	(16,042)
Balance at 31 December 2014	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 losses	–	–		–	–	–	(8,396)	(872)	–	(9,268)
Appropriations	–	–	123,919	(7,477)	22,595	(804,874)	–	–	665,837	–
Share of changes in reserve of associates and joint venture.	–	–	–	–	–	–	–	4,998	(8,342)	(3,344)
Contributions *(Note (d))*	405,846	–	–	–	–	–	–	–	–	405,846
Dividends *(Note 34)*	–	–	–	–	–	–	–	–	(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

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 (2014: RMB6 to RMB8) per ton of raw coal mined. The fund can be used for future development of the coal mining operations, and is not available for distribution to shareholders. Upon incurring qualifying development expenditures, an equivalent amount is transferred from future development fund to retained earnings.

(c) Safety fund

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

(d) Contributions

The principal contributions for the year ended 31 December 2015 include:

(i) Compensation for receivables

In 2015, pursuant to an agreement entered into between China Coal Group and the Group, China Coal Group compensated the Group in cash for certain other receivables of the Group amounted to RMB467,430,000, which were acquired from China Coal Group in an acquisition of a subsidiary in prior year and subsequently became doubtful. These receivables were consequently disposed to China Coal Group. Prior to the disposal, the Group has made provisions of RMB275,568,000 for the impairment on these receivables and the corresponding net book amount of such receivables were RMB191,862,000. The compensation received in excess of the net book amount of the receivables, net of tax effect, amounted to RMB206,676,000 and has been recognised in capital reserve as a contribution by the Parent Company.

(ii) Reversal of a deferred tax liability

Deferred income tax liability of RMB384,560,000, which resulted from the fair value adjustments during the reorganisation of the Company, has been reversed in the year ended 31 December 2015 due to change of related tax basis, resulting to an addition of RMB196,126,000 in capital reserve and an addition of RMB188,434,000 in non-controlling interests.

(e) Other funds relevant to coal enterprise

(i) Transformation and environmental restoration fund

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

Pursuant to a regulation issued by the Shanxi provincial government, transformation and environmental restoration fund are not required to be set aside since August 1, 2013.

(i) 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 (2014: RMB10) per ton of raw coal mined. The fund will be used for the transformation costs of the mine, land restoration and environmental cost, and is not available for distribution to shareholders. Upon incurring qualifying expenditures, an equivalent amount is transferred from sustainable development fund to retained earnings. The sustainable development fund has not been set aside since 1 January 2014 according to related requirement of the local government.

10 TRADE AND NOTES PAYABLES

	31 December 2015	31 December 2014
	RMB'000	*RMB'000*
Trade payables *(note (a))*	**19,039,397**	20,641,683
Notes payable	**1,626,258**	2,779,443
	20,665,655	23,421,126

Note:

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

	31 December 2015	31 December 2014
	RMB'000	*RMB'000*
Less than 1 year	**14,955,209**	16,707,059
1 – 2 years	**2,620,806**	2,951,493
2 – 3 years	**711,828**	559,899
Over 3 years	**751,554**	423,232
	19,039,397	20,641,683

11 COMMITMENTS

(a) Capital commitments

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

	2015	2014
	RMB'000	*RMB'000*
Property, plant and equipment	**2,174,303**	6,727,896
Land use rights	**1,160,643**	1,251,629
	3,334,946	7,979,525

(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:

	2015	2014
	RMB'000	*RMB'000*
Land and buildings:		
– Within 1 year	**105,397**	67,193
– From 1 year to 5 years	**274,557**	242,664
– Over 5 years	**616,931**	744,210
	996,885	1,054,067

(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, as at 31 December 2015 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 between the Company, Yima Coal Industry Group Company Limited and Shanxi Haizi Jiaohua Company Limited ("Haizi Jiaohua"), as at 31 December 2015 the Company has paid RMB178 million to Haizi Jiaohua as part of the consideration to acquire 51% interests in Jinchang and committed to pay the remaining consideration of RMB301 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, as at 31 December 2015 the Company has paid RMB293 million to Haizi Jiaohua as part of the consideration to acquire 63% interests in Yushuo and committed to pay the remaining consideration of RMB446 million in the future when certain condition is fulfilled.

According to the agreement entered into on 15 July 2006, Zhongtian Synergetic Energy Company Limited ("Zhongtian Synergetic") was incorporated by the Company, China Petroleum & Chemical Corporation and other 3 companies. As a 38.75% shareholder, as at 31 December 2015 the Company has invested RMB6,174 million in Zhongtian Synergetic and is committed to further invest RMB26 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, as at 31 December 2015 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, as at 31 December 2015 the Company has invested RMB266 million in Huzhun'e Railway and is committed to further invest RMB819 million by instalments in the future.

(d) Entrusted loan and guarantee commitments

Pursuant to an agreement entered into on 27 October 2015 between the Company, China Coal Finance Company LTD ("China Coal Finance") and Zhongtian Synergetic, China Coal Finance is entrusted by the Company to extend to Zhongtian Synergetic a entrusted loan of RMB3,100 million by two installments, each of which being RMB1,550 million. As at 31 December 2015, the first installment of RMB1,550 million has been drawn down by Zhongtian Synergetic.

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 2015, the Company has not started to implement the guarantee.

A resolution of a guarantee for a joint liability guarantee amounting to no more than RMB0.9 billion to be provided by China Coal Shaanxi Yulin Energy Chemical industry Co., Ltd ("Shaanxi Yulin") to Yan'an Hecaogou Coal Company Limited ("Hecaogou Coal") on a proportional basis has been passed in the EGM held on 27 October 2015. As at 31 December 2015, Shaanxi Yulin has provided guarantee for RMB175 million.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I would like to extend my sincere gratitude to all of you for your long-term interest in and support for China Coal Energy. On behalf of the Board, I hereby present the 2015 annual report to all Shareholders.

The year of 2015 was a very difficult year for Chinese coal industry. Amidst a complex world economic situation, a significant decline in the international energy prices and continuous slowdown of domestic economic growth, the supply and demand situation in the coal market suffered a serious imbalance and the loss of coal industry continued to increase. Under the unprecedented pressure of operation management, the Company took a series of vigorous steps to maintain stable production operation and eliminate fatal accident in relation to production safety so as to realise safety production. However, due to the influence from the following factors, including but not limited to, the significant decline in the price of products such as coal, the Company incurred a loss for the first time since its listing and we hereby apologise for it.

During 2015, domestic coal prices continued to fall and the Company's operating revenue from coal operations declined significantly, resulting in an operating loss of the Company. The Bohai-Rim Steam-Coal Index continued to fall by more than RMB150/tonne to RMB370/tonne as compared with the beginning of 2015, representing a decrease of 30%. The weighted average selling prices of the Company's self-produced thermal coal and coking coal recorded a year-on-year decrease of RMB74/tonne and RMB124/tonne respectively, which severely constrained coal production and sales. Witnessing the severe situation, the Company timely adjusted its operation strategies, optimised production scheduling and adopted an efficiency-oriented approach to cutback and limit production voluntarily, focused on coal quality management, strengthened coal blending process and improved commercial coal quality, adjusted marketing strategy and vigorously explored new markets to strengthen market development in central and southwestern China and stabilise its sales channels. Meanwhile, through measures such as intensifying cost reduction at the source end, lowering production unit consumption, controlling labour cost, downsizing outsourcing team and strengthening to repair the obsolete and utilise the waste, the Company focused on cost control during coal production and the Company's unit cost of sales of commercial coal decreased by 6.6% year-on-year. Under the scenario of decline in coal price and production cutback in 2015 which led to a decrease of RMB7.5 billion of profit, the Company made concerted effort to exploit potentials so as to increase profit of more than RMB5 billion, effectively alleviating the momentum of increasing loss of coal operations.

Following the successful production of projects such as Yulin Olefin, Tuke Fertiliser and Mengda Methanol, coal chemical operations have become a new profit growth driver of the Company. During 2015, the Company focused on equipment maintenance and operation management of coal chemical operations, actively eliminated defects and explored potentials, and raised production load to put into full and sound operation safely and stably in a long run. The production volume of coal chemical products increased substantially with an annual output of 683,000 tonnes of olefin, 1.963 million tonnes of urea and 786,000 tonnes of methanol and major production indicators attained an advanced level in the industry. The Company has improved the mechanism for coal chemical management to achieve centralised sales of chemical products, create brand effect and vigorously explore the international and domestic market. Due to the decline in price of chemical products, the Company's profit before tax from newly launched coal chemical projects at the Inner Mongolia-Shaanxi base reached RMB1.52 billion, reflecting the impacts of adjustment of industrial structure.

The Company constantly strengthened its internal management to enhance the standard of corporate operations and risk resistance capability. By way of comprehensive budgeting, the Company focused on lean management to improve its budget execution capability. To improve the construction of the system and mechanism, the Company promoted the integration of business and expedited governance on loss-suffering enterprises. The Company continued to deepen three reforms on labour, human resource and income distribution, streamline management and auxiliary structures and cut down total labour costs. Also, the Company actively revitalised the existing assets to enhance the profitability of assets. Furthermore, the Company strengthened the centralised procurement and enhanced effort to repair the obsolete and utilise the waste to lower the procurement and consumption costs. To retune the investment progress, the Company controlled its investing scale and brought investing risks under strict control. The Company also expanded its financing channel and optimised the financing structure to fully ensure capital needs for key projects. During 2015, through expediting the collection of trade receivables, reducing the scale of inventories, enhancing the management of capital centralisation and achieving substantial growth in the operating cash net inflow, the Company maintained its ordered production and operation.

Up till now, as China's economy has entered a new normal, coal enterprises should also adapt to and integrate into the new normal. During the "Thirteenth Five-Year Plan", the annual growth rate of gross domestic product will be maintained at above 6.5%. Following the development of the utilisation pattern and area of coal, the position of coal as the primary energy source in China will remain unchanged and the demand for coal will be kept in a large scale. The Chinese government is speeding up the supply-side structural reform so as to proactively dissolve overcapacity of coal, to eliminate backward production capacity, to exit around 0.5 billion tonnes of production capacity, to reduce and reorganise around 0.5 billion tonnes through 3 to 5 years. The central government is setting up the dedicated reward and compensation funds for industrial structure adjustment so as to dissolve overcapacity of the coal industry, resettle personnel in the process of dealing with the zombie companies. Meanwhile the central government is increasing support of financial and tax policies so as to strive to actively promote the basic balance between supply and demand in coal market, optimise the industry structure, achieve substantial progress in transformation and upgrade and facilitate the development of coal enterprises to shake off dilemma. From the internal perspective, the Company has achieved sound progress in the adjustment of industrial structure with the new coal chemical projects such as Yulin Olefin, Tuke Fertiliser and Mengda Methanol operating in a long-term and stable way. The production efficiency has been enhanced steadily while the economic benefit has been gradually reflected. Mengda Engineering Plastics Project and Pingshuo Inferior Coal Comprehensive Utilisation Project have proceeded in an orderly way and will strive to perform test run within the year of 2016. Pingshuo 2×660MW and 2×350MW low calorific value coal power generation projects, Datun 2×350MW Thermal Power Project and the Project of the Second Power Plant 2×660MW located in the north of Wucai Bay, Zhundong, Xinjiang have commenced full-scale construction, aiming to commerce trial operation in 2017. For the "Thirteenth Five-Year Plan", the Company will vigorously promote the development of clean and efficient utilisation of coal, devoting to create a new model of circular economy including coal-electricity-chemical and striving to become a clean energy supplier with relatively strong international competitiveness.

The year of 2016 is the beginning of the "Thirteenth Five-Year Plan" and it will also be a crucial period for China Coal Energy to make up the deficit and shake off the dilemma. The Company will closely focus on the annual targets for production and operations on a market-oriented basis and efficiency-focused approach, highlighting "cutting overcapacity, destocking, deleveraging, reducing cost and remedying the weakness" so as to make efforts to mitigate the losses, strive for making up the deficit and achieve significant results. Firstly, the Company will optimise coal production with scientific mining to enhance coal blending. Secondly, the Company will continue to improve the operating standard of coal chemical projects by reducing production consumption and enhancing the product effectiveness. Thirdly, the Company will strengthen market development by enhancing marketing management and ensuring consolidated coordination between production and sales. Fourthly, the Company will focus on comprehensive budgeting management to intensify cost reduction from the source end, management and all staffs, expanding the headroom for higher efficiency and lower cost. Fifthly, the Company will continue to promote internal reform and strengthen corporate control to further stimulate the operating ability of the enterprise. Sixthly, the Company will speed up the construction of key projects, carry out structural transformation and upgrade and build a new industrial system. "After suffering hardships, greatness can finally be achieved". Going through the difficulties and endurance, motivation and vitality for the development of the Company will be stimulated. The management and all employees of the Company will meet the challenges with confidence and determination and overcome difficulties with courage and strength. We will exert every effort to accomplish various tasks, with an aim to achieve the sustainable and healthy development of the Company.

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 International Financial Reporting Standards.

I. OVERVIEW

In 2015, the Group optimised the production organisation, spared no efforts in opening markets, strengthened cost reduction and potentiality-tapping, sped up the reorganisation of industry structure, proactively addressed the impacts arising from the significant decrease in price of products including coal. For the year ended 31 December 2015, the Group's total revenue (net of inter-segment sales) amounted to RMB59.271 billion, representing a year-on-year decrease of RMB11.393 billion; profit before income tax amounted to RMB-3.576 billion, representing a year-on-year decrease of RMB4.255 billion; profit attributable to equity holders of the Company amounted to RMB-3.267 billion, representing a year-on-year decrease of RMB3.408 billion; net cash generated from operating activities amounted to RMB7.285 billion, representing a year-on-year increase of RMB2.201 billion; and basic earnings per share amounted to RMB-0.25, representing a year-on-year decrease of RMB0.26.

Unit: RMB100 million

	For the year ended 31 December 2015	For the year ended 31 December 2014	**Increase/decrease** increase/ decrease in amount	increase/ decrease (%)
Revenue	**592.71**	706.64	-113.93	-16.1
(Loss)/Profit before income tax	**-35.76**	6.79	-42.55	-626.7
EBIDTA	**70.79**	79.50	-8.71	-11.0
(Loss)/Profit attributable to equity holders of the Company	**-32.67**	1.41	-34.08	-2,417.0
Net cash generated from operating activities	**72.85**	50.84	22.01	43.3

As at 31 December 2015, the gearing ratio (total interest-bearing debts/(total interest-bearing debts+equity))of the Group was 53.0%, representing an increase of 4.9 percentage points from the beginning of 2015.

Unit: RMB100 million

	As at 31 December 2015	As at 31 December 2014	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease (%)
Assets	**2,580.26**	2,440.12	140.14	5.7
Liabilities	**1,577.44**	1,410.83	166.61	11.8
Interest-bearing debts	**1,130.26**	952.08	178.18	18.7
Equity	**1,002.82**	1,029.29	-26.47	-2.6
Equity attributable to the equity holders of the Company	**837.08**	869.04	-31.96	-3.7

II. OPERATING RESULTS

(1) Combined Operating Results

1. Revenue

For the year ended 31 December 2015, the Group's total revenue (net of inter-segmental sales) decreased from RMB70.664 billion for the year ended 31 December 2014 to RMB59.271 billion, representing a decrease of 16.1%. The Group recorded a year-on-year decrease in production and sales price of commercial coal, which was mainly attributable to the market conditions, resulting in a year-on-year decrease of RMB17.601 billion in the external sales revenue of coal operations segment. External sales revenue of coal mining equipment operations segment recorded a year-on-year decrease of RMB1.091 billion due to the year-on-year decrease in sales volume of coal mining equipment products. However the Company accelerated industrial operation transformation, leading to a year-on-year increase of RMB7,630 million in the respect of coal external sales revenue due to the major coal chemical projects in Inner Mongolia-Shaanxi base gradually putting into operation in the second half of 2014.

Changes in revenue net of inter-segmental sales from the Group's four operating segments of coal, coal chemical, coal mining equipment and other operations for the year ended 31 December 2015 in comparison with the year ended 31 December 2014 are set out as follows:

Unit: RMB100 million

	Revenue net of inter-segmental sales		**Increase/decrease**	
	For the year ended 31 December 2015	For the year ended 31 December 2014	Increase/ decrease in amount	Increase/ decrease (%)
Coal operations	**404.66**	580.67	-176.01	-30.3
Coal chemical operations	**119.15**	42.85	76.30	178.1
Coal mining equipment operations	**44.99**	55.90	-10.91	-19.5
Other operations	**23.91**	27.22	-3.31	-12.2
Total	**592.71**	706.64	-113.93	-16.1

The proportion of revenue net of inter-segmental sales generated by each operating segment of the Group for the year ended 31 December 2015 and the year ended 31 December 2014 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 2015	For the year ended 31 December 2014	increase/ decrease in (percentage point(s))
Coal operations	**68.3**	82.2	-13.9
Coal chemical operations	**20.1**	6.1	14.0
Coal mining equipment operations	**7.6**	7.9	-0.3
Other operations	**4.0**	3.8	0.2

2. Cost of sales

For the year ended 31 December 2015, the Group's cost of sales decreased from RMB63.468 billion for the year ended 31 December 2014 to RMB55.167 billion, representing a decrease of 13.1%.

Material costs decreased 23.3% from RMB31.555 billion for the year ended 31 December 2014 to RMB24.200 billion, representing 43.9% of cost of sales, of which, the costs of proprietary coal trading and external purchase of raw coal for washing purpose decreased on a year-on-year basis, and the material costs of coal operations decreased by RMB6.802 billion on a year-on-year basis, due to several measures adopted by the Group such as further strengthening the management of material consumption quota, enhancing the repair of the obsolete and the utilisation of the waste, and centralising procurement of materials; the reduction in orders for coal mining equipment operations affected by market conditions led to a year-on-year decrease of RMB1,056 million in material costs; major coal chemical projects at Inner Mongolia-Shaanxi base commencing production since the second half of 2014 led to a year-on-year increase of RMB1.829 billion in material costs of coal chemical operations; and coal chemical projects commencing operation together with increase of intra-trading between coal business and coal chemical business led to the inter-segment elimination of material costs experiencing a year-on-year increase of RMB1,203 million.

Staff costs decreased 2.4% from RMB4.335 billion for the year ended 31 December 2014 to RMB4.230 billion, representing 7.6% of cost of sales. The decrease was mainly due to conscientiously implementing the principle which linked remunerations with performance by each enterprise, further enhancing controls over gross salaries, strengthening reduction on labour dispatch workforce and diminution on gross manpower required.

Depreciation and amortisation costs increased 29.5% from RMB4.935 billion for the year ended 31 December 2014 to RMB6.393 billion, representing 11.6% of the cost of sales. The increase was mainly attributable to the reason that the major coal chemical projects at Inner Mongolia-Shaanxi base were gradually put into operation during the second half of 2014, leading to a year-on-year increase of RMB1.389 billion in cost of depreciation and amortisation for coal chemical operations.

Repairs and maintenance costs decreased 1.2% from RMB835 million for the year ended 31 December 2014 to RMB824 million, representing 1.5% of the cost of sales. The decrease was mainly attributable to the full utilisation of the self-repair capacities of the subordinate enterprises of the Group and decrease in outsourced repair as well as strengthening routine equipment repair and maintenance.

Transportation costs and port expenses decreased 0.8% from RMB11.834 billion for the year ended 31 December 2014 to RMB11.735 billion, representing 21.3% of the cost of sales. The decrease was mainly due to the year-on-year decrease of RMB673 million in transportation costs and port expenses for coal operations resulting from the decrease in sales volume of the Group's self-produced commercial coal, while there was an increase of RMB611 million in transportation costs and port expenses for coal chemical operations contributed by the major coal chemical projects at Inner Mongolia-Shaanxi base which were gradually put into operation during the second half of 2014.

Sales taxes and surcharges increased 38.5% from RMB1.078 billion for the year ended 31 December 2014 to RMB1.493 billion, representing 2.7% of the cost of sales. The increase was mainly attributable to the reform of coal resource tax featured by price-based tax calculation and collection, resulting in a year-on-year increase of RMB525 million in resource tax. Furthermore, with the impact of market circumstances, the decrease was attributable to a year-on-year decrease in profit of the Company, which led to a year-on-year reduction of RMB97 million in urban maintenance and construction tax and RMB70 million in education surcharge.

Outsourcing mining engineering fees for coal mines decreased 59.8% from RMB2.805 billion for the year ended 31 December 2014 to RMB1.127 billion, representing 2.0% of the cost of sales. The decrease was mainly due to the fact that all coal producing enterprises further strengthened their management on outsourcing business, and strictly controlled the outsourcing business unit price and year-on-year decrease in outsourcing stripping volume and roadheading length which incurred a smaller outsourcing mining engineering fees for coal mines.

Other costs decreased 15.2% from RMB6.091 billion for the year ended 31 December 2014 to RMB5.165 billion, representing 9.4% of the cost of the sales. The decrease was mainly attributable to a reduction in other costs from coal business segments by RMB1.469 billion because of the fact that all coal enterprises no longer made provision for sustainable development fund (reserve) during 2015. As the major coal chemical projects at Inner Mongolia-Shaanxi base were gradually put into operation during the second half of 2014, other costs generated from coal chemical segments witnessed a corresponding increase of RMB659 million.

3. Gross profit and gross profit margin

For the year ended 31 December 2015, gross profit of the Group decreased from RMB7.196 billion for the year ended 31 December 2014 to RMB4.104 billion, representing a decrease of 43.0%; and gross profit margin decreased from 10.2% for the year ended 31 December 2014 to 6.9%, representing a decrease of 3.3 percentage points.

The gross profit and gross profit margin of each of the Group's operating segments for the year ended 31 December 2015 and the changes as compared to the same period of 2014 are as follows:

Unit: RMB100 million

	Gross profit			Gross profit margin (%)		
	For the year ended 31 December 2015	For the year ended 31 December 2014	Increase/ decrease (%)	**For the year ended 31 December 2015**	For the year ended 31 December 2014	Increase/ decrease (percentage point(s))
Coal operations	**1.19**	56.13	-97.9	**0.3**	9.6	-9.3
Self-produced commercial coal	**0.13**	53.86	-99.8	**0.04**	13.7	-13.66
Proprietary coal trading	**1.13**	1.84	-38.6	**0.9**	1.0	-0.1
Coal chemical operations	**28.74**	3.22	792.5	**24.1**	7.5	16.6
Coal mining equipment operations	**8.86**	10.41	-14.9	**17.8**	17.0	0.8
Other operations	**2.43**	2.98	-18.5	**7.7**	8.3	-0.6
Group	**41.04**	71.96	-43.0	**6.9**	10.2	-3.3

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 2015, the total revenue from coal operations of the Group decreased from RMB58.464 billion for the year 31 December 2014 to RMB42.106 billion, representing a decrease of 28.0%; revenue net of inter-segmental sales decreased from RMB58.067 billion for the year ended 31 December 2014 to RMB40.466 billion, representing a decrease of 30.3%.

For the year ended 31 December 2015, revenue from sales of self-produced commercial coal of the Group decreased from RMB39.245 billion for the year ended 31 December 2014 to RMB29.092 billion, representing a decrease of 25.9%. Revenue net of inter-segmental sales decreased from RMB38.900 billion for the year ended 31 December 2014 to RMB28.705 billion, representing a decrease of 26.2%; of which, revenue from thermal coal was RMB24.948 billion, representing a year-on-year decrease of RMB10.585 billion; revenue from coking coal was RMB3.757 billion, representing a year-on-year increase of RMB390 million. For the year ended 31 December 2015, the Group's sales of self-produced commercial coal recorded 97.54 million tonnes, a year-on-year decrease of 8.55 million tonnes, leading to a decrease of RMB3.134 billion in sales revenue; and the weighted average sales price of self-produced commercial coal decreased by RMB73/tonne on year-on-year basis to RMB294/tonne, leading to a reduction of RMB7.061 billion in respect of sales revenue.

Revenues from resale of coal that was purchased from external coal enterprises (sales of proprietary coal trading) decreased 32.9% from RMB18.750 billion for the year ended 31 December 2014 to RMB12.578 billion. Revenue net of sales revenue from inter-segmental trading decreased from RMB18.750 billion for the year ended 31 December 2014 to RMB11.369 billion, representing a decrease of 39.4%.

Revenue from agency services experienced a year-on-year decrease of RMB7 million, reaching RMB11 million.

Changes in the Group's coal sales volume and selling price for the year ended 31 December 2015 in comparison with the year ended 31 December 2014 are set out as follows:

		For the year ended 31 December 2015		For the year ended 31 December 2014		Increase/decrease in amount		Increase/decrease	
		Sales volume (10,000 tonnes)	Selling price (RMB/ tonne)	Sales volume (10,000 tonnes)	Selling price (RMB/ tonne)	Sales volume (10,000 tonnes)	Selling price (RMB/ tonne)	Sales volume (%)	Selling price (%)
I. Self-produced commercial coal	Total	9,754	294	10,609	367	-855	-73	-8.1	-19.9
	(I) Thermal coal	8,862	282	9,991	356	-1,129	-74	-11.3	-20.8
	1. Domestic sale	8,831	281	9,939	355	-1,108	-74	-11.1	-20.8
	2. Export	31	435	52	545	-21	-110	-40.4	-20.2
	(II) Coking coal	892	421	618	545	274	-124	44.3	-22.8
	1. Domestic sale	892	421	618	545	274	-124	44.3	-22.8
	2. Export	☆	☆	☆	☆	–	–	–	–
II. Proprietary coal trading	Total	3,609	315	4,634	405	-1,025	-90	-22.1	-22.2
	(I) Domestic resale	3,417	309	4,416	399	-999	-90	-22.6	-22.6
	(II) Import trading	177	396	215	494	-38	-98	-17.7	-19.8
	(III) Transshipment trading	☆	☆	☆	☆	–	–	–	–
	(IV) Self-operated exports*	15.2	706	3.0	1,967	12.2	-1,261	406.7	-64.1
III. Import and export and domestic agency★	Total	409	3	446	4	-37	-1	-8.3	-25.0
	(I) Import agency	10	5	66	9	-56	-4	-84.8	-44.4
	(II) Export agency	206	4	214	5	-8	-1	-3.7	-20.0
	(III) Domestic agency	193	1	166	1	27	–	16.3	–

☆: N/A for the period

★: Selling price is agency service fee.

*: Briquette export

- Cost of sales

For the year ended 31 December 2015, cost of sales for the Group's coal operations decreased from RMB52.851 billion for the year ended 31 December 2014 to RMB41.987 billion, representing a decrease of 20.6%. Changes in major cost items are set out as follows:

Unit: RMB100 million

Item	**For the year ended 31 December 2015**	For the year ended 31 December 2014	Increase/decrease Increase/ decrease in amount	 Increase/ decrease (%)
Material costs (excluding cost of external purchases of raw coal for washing purpose and proprietary coal trading cost)	**44.80**	50.85	-6.05	-11.9
Cost of external purchases of raw coal for washing purpose	**11.28**	12.27	-0.99	-8.1
Proprietary coal trading cost★	**122.11**	183.09	-60.98	-33.3
Staff costs	**29.00**	32.53	-3.53	-10.9
Depreciation and amortisation	**41.82**	42.27	-0.45	-1.1
Repairs and maintenance	**6.79**	7.86	-1.07	-13.6
Transportation costs and port expenses	**106.14**	112.87	-6.73	-6.0
Outsourcing mining engineering fee	**11.27**	28.05	-16.78	-59.8
Sales taxes and surcharges	**12.88**	10.25	2.63	25.7
Other costs*	**33.78**	48.47	-14.69	-30.3
Total cost of sales for coal operations	**419.87**	528.51	-108.64	-20.6

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

*: Other costs mainly include environmental restoration expenses incurred in relation to coal mining operation and expenses for small and medium projects etc. incurred in direct correlation with coal production.

For the year ended 31 December 2015, the Group's cost of sales of self-produced commercial coal was RMB29.079 billion, representing a year-on-year decrease of RMB4.780 billion or 14.1%; the unit cost of sales of self-produced commercial coal was RMB298.16/tonne, representing a year-on-year decrease of RMB20.99/tonne or 6.6%; the cost of proprietary coal trading was RMB12.465 billion, representing a year-on-year decrease of RMB6.101 billion or 32.9%; and the unit cost of external sales of proprietary coal trading was RMB312.45/tonne, representing a year-on-year decrease of RMB88.22/tonne or 22.0%.

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 2015	For the year ended 31 December 2014	Increase/decrease: Increase/ decrease in amount	Increase/decrease: Increase/ decrease (%)
Material costs (excluding cost of external purchases of raw coal for washing purpose)	**45.94**	47.93	-1.99	-4.2
Cost of external purchases of raw coal for washing purpose	**11.57**	11.57	–	–
Staff costs	**29.74**	30.66	-0.92	-3.0
Depreciation and amortisation	**42.88**	39.84	3.04	7.6
Repairs and maintenance	**6.96**	7.41	-0.45	-6.1
Transportation costs and port expenses	**106.23**	103.97	2.26	2.2
Sales taxes and surcharges	**13.21**	9.66	3.55	36.7
Outsourcing mining engineering fee	**11.56**	26.44	-14.88	-56.3
Other costs	**30.07**	41.67	-11.60	-27.8
Unit cost of sales of self-produced commercial coal	**298.16**	319.15	-20.99	-6.6

The year-on-year change in the Group's unit cost of sales of self-produced commercial coal for the year ended 31 December 2015 was mainly attributable to:

Unit material costs decreased by RMB1.99/tonne, which was mainly attributable to the reduction in purchase price of materials by the Group's subsidiaries through long-term purchasing contracts, increase in the proportion of accessories made in China and further improvement of material requisition, consumption management and maintenance and recycling, resulting in a year-on-year decrease of RMB605 million in terms of material costs.

Unit staff costs decreased by RMB0.92/tonne, mainly due to conscientiously implementing the principle which linked remunerations with performance by each enterprise, further enhancing controls over gross salaries, strengthening reduction on labour dispatch workforce and diminution on gross manpower required, leading to a total decrease of RMB353 million in staff costs.

Unit depreciation and amortisation increased by RMB3.04/tonne, which was mainly attributable to a year-on-year decrease in the production volume of self-produced commercial coal.

Unit repair and maintenance costs decreased by RMB0.45/tonne, which was mainly due to the decrease in repair outsourcing by making full use of the own repair capability of the coal producing enterprises of the Group and the strengthening of routine repair and maintenance of equipment, resulting in the decrease of repair costs.

Unit transportation costs and port expenses increased by RMB2.26/tonne, mainly due to the combining effect of the increase in the sales of the Group's self-produced commercial coal for which railway freight and port charges had to be born and the increase in the railway freight.

Unit sales taxes and surcharges increased by RMB3.55/tonne, mainly due to the year-on-year increase in resource tax paid by the Group after the reform of coal resource tax featured by price-based tax calculation and collection with effect from 1 December 2014.

Unit outsourcing mining engineering fee decreased by RMB14.88/tonne. This was mainly due to the Group's subsidiaries' efforts in the further strengthening of management of outsourced business, strictly controlling unit price of outsourced business, and a decrease in outsourcing mining engineering costs by RMB1.678 billion caused by a year-on-year reduction in outsourced stripping volume and roadheading length.

Other costs per unit decreased by RMB11.60/tonne. The decrease was mainly due to the reason that after the reform of coal resource tax featured by price-based tax calculation and collection with effect from 1 December 2014, the relevant coal enterprises of the Group no longer made provision for sustainable development fund. (RMB1.41 billion was made provision for 2014). At the same time, the Group took measures to reduce costs and explore potentials, and cut down the amount of non-production related sporadic projects and expenses for small and medium projects. All aforementioned factors combined led to a year-on-year decrease of other costs of RMB1.469 billion.

- Gross profit and gross profit margin

For the year ended 31 December 2015, the Group's gross profit from coal operations decreased from RMB5.613 billion for the year ended 31 December 2014 to RMB119 million, representing a decrease of 97.9%; and gross profit margin decreased by 9.3 percentage points from 9.6% for the year ended 31 December 2014 to 0.3%.

2. Coal chemical operations

- Revenue

For the year ended 31 December 2015, the Group's revenue from coal chemical operations increased from RMB4.285 billion for the year ended 31 December 2014 to RMB11.932 billion, representing an increase of 178.5%, and revenue net of inter-segmental sales increased by 178.1% from RMB4.285 billion for the year ended 31 December 2014 to RMB11.915 billion; of which Yulin Olefin Project officially commenced production from the beginning of 2015, contributing a revenue of RMB5.553 billion, Tuke Fertiliser Project and Mengda Methanol Project started production from the second half of 2014 and kept operation for the whole year of 2015, contributing an increase of RMB3.049 billion in revenue, while the revenue of coke sales experienced a year-on-year decrease of RMB844 million due to a year-on-year decrease in coke price and sales volume.

During the year of 2015, the revenue of olefin sales amounted to RMB4.926 billion, mainly due to Yulin Olefin Project officially commenced production from the beginning of 2015. Revenue generated from the sales of urea reached RMB2.870 billion, increasing by RMB2.255 billion as compared to the RMB615 million of 2014, mainly due to an increase of urea revenue of RMB2.238 billion arising from the whole year stable operation of Tuke Fertiliser Project, and an increase of urea revenue of RMB17 million arising from coke oven gas-based chemical fertiliser project in Lingshi of Shanxi. Methanol sales revenue increased from RMB712 million for 2014 to RMB1.139 billion, representing an increase of RMB427 million, mainly due to an increase of methanol revenue of RMB507 million arising from the whole year operation of Mengda Methanol Project. The Group's coke revenue decreased from RMB2.344 billion for 2014 to RMB1.500 billion, representing a decrease of RMB844 million.

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 at 31 December 2015		For the year ended at 31 December 2014		Increase/decrease in amount		Increase/decrease	
	Sales Volume (10,000 tonnes)	**Selling price (RMB/ tonne)**	Sales Volume (10,000 tonnes)	Selling price (RMB/ tonne)	Sales Volume (10,000 tonnes)	Selling price (RMB/ tonne)	Sales Volume (%)	Selling price (%)
I. Olefin								
1. Polyethylene	**35.3**	**7,771**	☆	☆	35.3	–	–	–
2. Polypropylene	**32.3**	**6,751**	☆	☆	32.3	–	–	–
II. Methanol◆	**79.6**	**1,432**	36.3	1,959	43.3	-527	119.3	-26.9
III. Urea	**175.4**	**1,637**	39.2	1,566	136.2	71	347.4	4.5
IV. Coke								
1. Self-produced	**193.2**	**712**	200.4	907	-7.2	-195	-3.6	-21.5
2. Proprietary trading	**15.0**	**836**	51.4	1,021	-36.4	-185	-70.8	-18.1
3. Export agency✻	**0.02**	**20**	0.4	12	-0.38	8	-95.0	66.7

◆: including sales of methanol produced by Heilongjiang Coal Chemical Group, a subsidiary of China Coal Group with 22,800 tonnes in 2015 and 56,300 tonnes in 2014.

✻: Selling price is agency service fee.

☆: N/A for the period.

- Cost of sales

For the year ended 31 December 2015, the Group's cost of sales of coal chemical operations increased from RMB3.963 billion for the year ended 31 December 2014 to RMB9.058 billion, representing an increase of 128.6%. The details are set out below:

Unit: RMB100 million

Item	**For the year ended 31 December 2015**	For the year ended 31 December 2014	Increase/ decrease in amount	Increase/ decrease (%)
Material costs	**49.01**	30.72	18.29	59.5
Staff costs	**4.76**	1.14	3.62	317.5
Depreciation and amortisation	**16.22**	2.33	13.89	596.1
Repairs and maintenance	**1.42**	0.45	0.97	215.6
Transportation costs and port expenses	**10.30**	4.19	6.11	145.8
Sales taxes and surcharges	**1.58**	0.10	1.48	1,480.0
Other costs	**7.29**	0.70	6.59	941.4
Total cost of sales for coal chemical operations	**90.58**	39.63	50.95	128.6

The cost of sales of the major chemical products of the Group for the year ended 31 December 2015 and the changes as compared to the same period of 2014 are set out as follows:

	Cost of sales (RMB100 million)			**Unit cost of sales (RMB/tonne)**		
	For the year ended 31 December 2015	For the year ended 31 December 2014	Increase/ decrease in amount	**For the year ended 31 December 2015**	For the year ended 31 December 2014	Increase/ decrease in amount
Olefin	**28.94**	☆	28.94	**4,279**	☆	–
Methanol	**9.90**	6.41	3.49	**1,245**	1,763	-518
Urea	**21.38**	5.34	16.04	**1,219**	1,361	-142
Coke	**15.99**	24.52	-8.53	**768**	974	-206

☆: N/A for the period.

Yulin Olefin Project of the Group was put into operation at the beginning of 2015. Cost of sales of olefin was RMB2.894 billion, and unit cost of sales was RMB4,279/tonne. Cost of sales of methanol and urea increased as compared to the same period of 2014, while unit cost of sales decreased as compared to the same period of 2014, mainly due to the commencement of operation of Tuke Fertiliser Project and Mengda Methanol Project in the second half of 2014, resulting in a lower unit cost. Cost of sales and unit cost of sales of coke decreased as compared to the same period of 2014 as a result of the decrease in sales of coke and purchase price of raw coal required for coke production as compared to the same period of 2014.

- Gross profit and gross profit margin

For the year ended 31 December 2015, the gross profit of the Group's coal chemical operations increased by RMB2.552 billion from RMB322 million for year ended 31 December 2014 to RMB2.874 billion, and the gross profit margin increased from 7.5% for the year ended 31 December 2014 to 24.1%, representing an increase of 16.6 percentage points. This was mainly due to the accelerated business transformation of the Group and putting into production of major coal chemical projects of the Inner Mongolia-Shaanxi base since the second half of 2014, resulting in the increase of gross profit and higher gross profit margin of the coal chemical business.

3. Coal mining equipment segment

- Revenue

For the year ended 31 December 2015, the Group's revenue from the coal mining equipment operations decreased from RMB6.135 billion for the year ended 31 December 2014 to RMB4.980 billion, representing a decrease of 18.8%, of which the revenue net of inter-segmental sales decreased from RMB5.590 billion for the year ended 31 December 2014 to RMB4.499 billion, representing a decrease of 19.5%. This was mainly due to the reason that affected by the demand and supply condition in the market, the sales volume of coal mining equipment decreased on a year-on-year basis.

• Cost of sales

For the year ended 31 December 2015, the Company's cost of sales for the coal mining equipment operations decreased from RMB5.094 billion for the year ended 31 December 2014 to RMB4.094 billion, representing a decrease of 19.6%. The major cost items and the changes as compared to the same period of 2014 are set out as follows:

Unit: RMB100 million

Item	**For the year ended at 31 December 2015**	For the year ended at 31 December 2014	Increase/ decrease in amount	Increase/ decrease (%)
Materials used and goods traded costs	**24.86**	35.42	-10.56	-29.8
Staff costs	**5.02**	5.67	-0.65	-11.5
Depreciation and amortisation	**2.96**	1.71	1.25	73.1
Repairs and maintenance	**0.45**	0.78	-0.33	-42.3
Transportation costs	**0.85**	1.10	-0.25	-22.7
Sales taxes and surcharges	**0.21**	0.19	0.02	10.5
Other costs	**6.59**	6.07	0.52	8.6
Total costs of sales of coal mining equipment operations	**40.94**	50.94	-10.00	-19.6

• Gross profit and gross profit margin

For the year ended 31 December 2015, the gross profit of the Group's coal mining equipment operations segment decreased from RMB1.041 billion for the year ended 31 December 2014 to RMB886 million, representing a decrease of 14.9%; and the gross profit margin increased from 17.0% for the year ended 31 December 2014 to 17.8%, representing an increase of 0.8 percentage point.

4. **Other operations**

For the year ended 31 December 2015, the Group's total revenue from other operations such as power generation and aluminum decreased from RMB3.612 billion for the year ended 31 December 2014 to RMB3.167 billion, representing a decrease of 12.3%, of which revenue net of inter-segmental sales decreased from RMB2.722 billion for the year ended 31 December 2014 to RMB2.391 billion, representing a decrease of 12.2%. Cost of sales decreased from RMB3.314 billion for the year ended 31 December 2014 to RMB2.924 billion, representing a decrease of 11.8%. Gross profit decreased by 18.5% from RMB298 million for the year ended 31 December 2014 to RMB243 million, and gross profit margin decreased from 8.3% for the year ended 31 December 2014 to 7.7%, representing a decrease of 0.6 percentage point.

(3) Selling, General and Administrative Expenses

For the year ended 31 December 2015, the Group's selling, general and administrative expenses decreased from RMB4.904 billion for the year ended 31 December 2014 to RMB4.400 billion, representing a decrease of 10.3%, mainly due to the Group further consolidated its control over expenses which led to an year-on-year decrease in expenses.

(4) Other Net Gains

For the year ended 31 December 2015, other net gains of the Group increased from RMB188 million for the year ended 31 December 2014 to RMB283 million, representing an increase of 50.5%. This was mainly attributable to the increase in government grants received by the subsidiaries of the Group during the reporting period.

(5) Profit from Operations

For the year ended 31 December 2015, the Group's profit from operations decreased by 98.3% from RMB2.497 billion for the year ended 31 December 2014 to RMB43 million. The decrease was primarily attributable to the decrease in profit from coal operations of RMB4.832 billion due to the year-on-year decrease in sales volume and prices of the Group's self-produced commercial coal as affected by market conditions. However, with the Group accelerating industrial transformation, the profit from coal chemical operation recorded a year-on-year increase of RMB2.314 billion mainly due to the reason that the major coal chemical projects in Inner Mongolia-Shaanxi base were gradually put into operation during the second half of 2014.

Profits from operations for major operating segments and the changes as compared to the same period of 2014 are as follows:

Unit: RMB100 million

	For the year ended 31 December 2015	For the year ended 31 December 2014	**Increase/decrease**	
			Increase/ decrease in amount	Increase/ decrease (%)
The Group	**0.43**	24.97	-24.54	-98.3
Of which: Coal operations	**-21.85**	26.47	-48.32	-182.5
Coal chemical operations	**24.57**	1.43	23.14	1,618.2
Coal mining equipment operations	**1.21**	1.33	-0.12	-9.0
Other operations	**-0.35**	-0.22	-0.13	59.1

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 2015, the Group's net finance costs increased by 103.9% from RMB1.952 billion for the year ended 31 December 2014 to RMB3.981 billion. Finance income increased by 26.6% from RMB763 million for the year ended 31 December 2014 to RMB966 million. The increase was mainly due to an increase in interest income from interbank deposits resulting from the establishment and commencement of operation of the Finance Company. Finance costs increased by 82.2% from RMB2.715 billion for the year ended 31 December 2014 to RMB4.947 billion. This was mainly due to the increase of RMB994 million as compared to the same period of 2014 in expensed interest expenses as a result of putting into operation of major coal chemical projects of the Inner Mongolia-Shaanxi base successively since the second half of 2014. In addition, interest bearing debts as at 31 December 2015 stood at RMB113.026 billion, representing a net increase of RMB17.818 billion over RMB95.208 billion as at 31 December 2014.

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

For the year ended 31 December 2015, the Group's share of profits of associates and jointly controlled entities increased from RMB134 million for the year ended 31 December 2014 to RMB362 million, representing an increase of 170.1%. This was mainly attributable to the year-on-year increase in the Group's share of profits recognised in proportion to its shareholding resulting from the increase in profits generated from the investees of the Group, including power plants and terminals during the reporting period.

(8) Profit before Income Tax

For the year ended 31 December 2015, the profit of the Group before income tax decreased from RMB679 million for the year ended 31 December 2014 to RMB-3.576 billion, representing a decrease of 626.7%.

(9) Income Tax Expenses

For the year ended 31 December 2015, the Group's income tax expenses decreased from RMB192 million for the year ended 31 December 2014 to RMB-748 million, representing a decrease of 489.6%.

(10) Profit Attributable to Equity Holders of the Company

For the year ended 31 December 2015, profit attributable to the equity holders of the Company decreased from RMB141 million for the year ended 31 December 2014 to RMB-3.267 billion, representing a decrease of 2,417.0%.

III. CASH FLOW

As at 31 December 2015, the balance of the Group's cash and cash equivalents amounted to RMB11.196 billion, representing a net decrease of RMB6.936 billion as compared to RMB18.132 billion as at 31 December 2014.

Net cash generated from operating activities increased by 43.3% from RMB5.084 billion for the year ended 31 December 2014 to RMB7.285 billion. The Group's profit before tax deceased by RMB4.255 billion year-on-year. After deducting non-cash costs such as depreciation and amortisation, and items which reduced profit but had no impact on the cash flow generated from operating activities such as impairment losses and finance costs, items affecting profit and loss resulted in a year-on-year decrease in cash inflow from operating activities of RMB886 million. Meanwhile the Group strengthened the cash management and strictly controlled the working capital. The change in amount of utilised working capital increased cash inflow by RMB2.710 billion year-on-year. In addition, due to the decrease in profit year-on-year, cash outflow for income tax payment decreased by RMB377 million year-on-year.

Net cash used in investing activities increased by 48.2% from RMB17.767 billion for the year ended 31 December 2014 to RMB26.322 billion, of which the year-on-year decrease of RMB9.806 billion in cash used for activities such as project construction, equipment purchase, resources reserve and other long-term assets purchase and equity investment. Since the movement of fixed term deposits with initial terms exceeding three months of the Group led to a year-on-year increase in cash outflow of RMB14.989 billion (net outflow for the period amounted to RMB12.600 billion, while net inflow for the same period of the prior year amounted to RMB2.389 billion), the consolidated effect led to the increase in net cash outflow arising from investing activities. In addition, the consolidation of the Finance Company into the Group led to an increase of cash inflow of RMB2.730 billion.

Net cash generated from financing activities decreased from RMB19.585 billion for the year ended 31 December 2014 to RMB12.099 billion, representing a decrease of 38.2%. This was mainly attributable to the year-on-year decrease of RMB12.996 billion in cash received from borrowings, the year-on-year increase of RMB10.488 billion in cash received from insurance of bonds, and the year-on-year increase of RMB4.931 billion in cash repayment of debts.

IV. LIQUIDITY AND SOURCES OF CAPITAL

For the year ended 31 December 2015, 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 and coal mining equipment 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 and relevant banking facilities obtained will provide sufficient capital funds for future production and operating activities as well as project construction.

V. ASSETS AND LIABILITIES

(1) Property, Plant and Equipment

As at 31 December 2015, the net value of property, plant and equipment of the Group amounted to RMB128.805 billion, representing a net increase of RMB2.438 billion or 1.9% as compared to RMB126.367 billion as at 31 December 2014. This was mainly attributable to an increase in property, plant and equipment as a result of the increase in project investment from the Group's subsidiaries and the need for additional equipment and facilities for production and operation.

As at 31 December 2015 and 31 December 2014, the composition of the Group's property, plant and equipment (net value) is set out below:

Unit: RMB100 million

	As at 31 December 2015	**Percentage (%)**	As at 31 December 2014	Percentage (%)
Buildings	**295.81**	**23.0**	228.29	18.1
Mining Structures	**143.50**	**11.1**	135.83	10.7
Plant, machinery and equipment	**404.68**	**31.4**	332.91	26.3
Railway structures	**29.57**	**2.3**	26.85	2.1
Motor vehicles, fixtures and others	**12.88**	**1.0**	14.12	1.1
Construction in progress	**401.61**	**31.2**	525.67	41.7
Total	**1,288.05**	**100.0**	1,263.67	100.0

(2) Mining and Exploration Rights

As at 31 December 2015, the net value of the Group's mining and exploration rights amounted to RMB32.844 billion, representing a net decrease of RMB324 million or 1.0% as compared to RMB33.168 billion as at 31 December 2014, mainly due to the amortisation of mining rights during the period.

(3) Intangible Assets

As at 31 December 2015, the intangible assets of the Group was RMB1.363 billion as compared to the RMB264 million as at 31 December 2014, representing an increase of RMB1.099 billion or 416.3%, mainly due to the commencement of operation of Yulin Olefin Project generating a gross value of RMB1.149 billion for intangible assets.

(4) Investments in Associates

As at 31 December 2015, the Group's net investment into associates amounted to RMB11.222 billion as compared to the RMB10.135 billion as at 31 December 2014, representing an increase of RMB1.087 billion or 10.7%, mainly due to a capital increase of RMB1.163 billion in Zhongtian Synergetic Company based on proportions to its shareholding, and an injection of RMB535 million capital into Ezhou Power Generation Company to participate in the equity interest. In addition, the Group ceased to exercise significant influence over Coal Gasification Longquan Company and therefore the investment of RMB703 million in it was presented as available-for-sale financial assets, and China Coal Yuanxing Company ceased to exercise significant influence over Boyuan Joint Chemical Company and Sulige Natural Gas Chemical Company, therefore the investment of RMB154 million in the aforesaid two companies was presented as available-for-sale financial assets.

(5) Investments in Joint Ventures

As at 31 December 2015, the net value of the Group's investment into joint ventures amounted to RMB1.879 billion, representing an increase of RMB1.208 billion or 180.0% compared to the RMB671 million as at 31 December 2014, mainly due to the Shaanxi Company's recognition of RMB1.200 billion long-term equity investment of Hecaogou Company upon the establishment of the latter.

(6) Available-for-sale Financial Assets

As at 31 December 2015, the net value of the Group's available-for-sale assets amounted to RMB5.567 billion, representing an increase of RMB1.226 billion or 28.2% as compared to RMB4.341 billion of 31 December 2014. This was mainly attributable to the facts that the Group ceased to exercise significant influence over Coal Gasification Longquan Company and therefore the investment of RMB703 million in it was presented as available-for-sale financial assets, and China Coal Yuanxing Company ceased to exercise significant influence over Boyuan Joint Chemical Company and Sulige Natural Gas Chemical Company, therefore the investment of RMB154 million in the aforesaid two companies was presented as available-for-sale financial assets. In addition, the Group increased its capital in Mengxi-Huazhong Railway Company by RMB400 million in proportion to shareholding ratio.

(7) Other Non-current Assets

As at 31 December 2015, the net value of other non-current assets of the Group amounted to RMB6.717 billion, representing a net decrease of RMB462 million or 6.4% as compared to RMB7.179 billion as at 31 December 2014. This was mainly attributable to presenting Shaanxi Company's prepayment of investment capital of RMB1.200 billion for Hecaogou Company as investment in joint venture upon the establishment of the latter, and Shaanxi Company's prepayments of RMB500 million for Dahaize Coal Mine coal resources as well as the Finance Company offering RMB317 million loans to the Group's non-listing subsidiaries.

(8) Prepayments and Other Receivables

As at 31 December 2015, the net value of prepayments and other receivables amounted to RMB9.727 billion, representing an increase of RMB2.510 billion or 34.8% as compared to RMB7.217 billion as at 31 December 2014. The increase was mainly rising from an entrusted loan of RMB1.550 billion borrowed by Zhongtian Synergetic Company from the Finance Company through the Group, and other RMB1.374 billion receivables generated from a change in Pingshuo Company's subsidiaries scope for the newly consolidated Shanxi Chinacoal Pingshuo Xinyuan Company Limited.

(9) Borrowings

As at 31 December 2015, the balance of borrowings of the Group amounted to RMB70.157 billion, representing a net increase of RMB6.304 billion or 9.9% as compared to RMB63.853 billion as at 31 December 2014. This was mainly attributable to an increase in bank borrowings used as working capital for project construction of the subsidiaries of the Group, of which the balance of long-term borrowings (including the portion due within one year) was RMB64.499 billion, representing a net increase of RMB6.651 billion as compared to RMB57.848 billion as at 31 December 2014, and the balance of short-term borrowings amounted to RMB5.658 billion, representing a net decrease of RMB347 million as compared to RMB6.005 billion as at 31 December 2014.

(10) Long-term Bonds

As at 31 December 2015, the balance of long-term bonds of the Group amounted to RMB25.896 billion, representing a net decrease of RMB4.959 billion or 16.1% from RMB30.855 billion as at 31 December 2014. The increase was mainly attributable to the issuance of RMB10 billion medium-term notes by the Company, and medium-term notes of RMB14.973 billion with maturity in 2016 issued by the Group are set out in long-term bonds circulation.

VI. SIGNIFICANT PLEDGE OF ASSETS

The Group did not have significant pledge of assets for the year ended 31 December 2015.

VII. SIGNIFICANT INVESTMENTS

During the reporting period, the Group made investment in Ezhou Power Generation Company. For details, please refer to the section headed "Significant Events" – "(5) Other Significant Events" of this announcement.

VIII. MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have material acquisitions and disposals during the reporting period.

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

During the reporting period, the Group registered to issue the first tranche of medium-term notes for the year 2015. During the reporting period, Shanghai Energy Company, a subsidiary of the Group, issued the short-term financing bonds of RMB1 billion, and Pingshuo Company, a subsidiary of the Company, issued the short-term financing bonds of RMB1 billion.

X. OPERATIONAL RISKS

(1) Risks of Fluctuation in Macro Economy

The coal industry is a fundamental sector of the Chinese economy, which is closely linked to the macro economy and significantly affected by other relevant industries including electricity, metallurgy, construction materials and chemical industry. Currently, as the world's major developed economies remained in the deep adjustment phase, there is a downward trend of bulk commodity prices and the growth of China's economy. There are still many unstable and uncertain factors affecting the macro economy in 2016, which may have significant impact on the operating results of the Company.

(2) Risks of Fluctuation in Product Price

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 sharp decline 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 process of coal mining and coal chemical products involves higher safety risks, making 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 effort to ensure the safe operation at all production stages 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 the change in the industry of the project and related industries, the date of completion of the project and the actual yield of the project after it is put in operation may be different from the expectation to a certain extent. The Company will strengthen the preliminary project work by expediting the procedures for relevant certificates and licenses and ensuring rational investment scale and pace so as to control investment costs and avoid investment risks.

(5) Risks of Environmental Protection

The production of coal and coal chemicals will inevitably affect the environment to a certain extent. The Company has strictly complied with the laws and regulations on energy conservation and emission reduction and will continue to promote the development of a "Green China Coal". The Company has continuously increased investment in technology and environmental protection and adhered to a coordinated development of coal mining and environmental protection. The Company is actively committed to social responsibility by carrying outland subsidence treatment and reclamation work in mining areas in a down-to-earth manner and developing circular economy in mining areas and spares no efforts in establishing 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 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 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 favorable and unfavorable influence on the operating results of the Company. The Company will enhance the effort to study the trend of the global exchange market, effectively control and prevent the risks of foreign exchange by using various financial instruments.

XI. CONTINGENT LIABILITIES

(1) Bank Guarantees

As at 31 December 2015, the Group provided guarantees for a total amount of RMB14.413 billion, of which RMB5.845 billion were guarantees provided in proportion to the Group's shareholdings for the bank borrowings of the Group's equity investment entities.

(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 2015, the Group was not involved in any material litigation or arbitration, and to the knowledge of the Group, there is no material litigation or arbitration pending or threatened against or involving the Group.

BUSINESS PERFORMANCE

I. PRINCIPAL BUSINESS OPERATIONS OF THE COMPANY IN 2015

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. Through years of accumulation and development, the Company possesses certain resource advantages, a relatively reasonable business structure, advanced technology for coal mining, washing and preparation of coal, comprehensive marketing and customer service network, and gradually establishes positive brand reputation.

(1) Coal Operations

In 2015, the situation of imbalance between supply and demand in the domestic coal market intensified, resulting in continuous fall in the coal price and greater operating pressure for coal enterprises. The Company actively responded to the challenging situation by reinforcing market development, optimising production scheduling, strengthening quality control of coal, striving to improve product mix as well as continuing to promote cost reduction and efficiency improvement so as to reduce the loss in coal operations.

1. Coal production

The Company highlighted the market-oriented approach, organised coal production in a scientific and reasonable manner, enhanced the coordination among production, transportation and sales, increased the production volume of mines with relatively higher efficiency and adopted production cutback and limitation for certain mines with weaker market competitiveness, which effectively improved product structure and coal quality. During the reporting period, the production volume of commercial coal reached 95.47 million tonnes, representing a year-on-year decrease of 16.37 million tonnes or 14.6%, of which the production volume of thermal coal amounted to 86.61 million tonnes, representing a year-on-year decrease of 18.2%, and coking coal amounted to 8.86 million tonnes, representing a year-on-year increase of 47.2%.

Addressing hardship such as the shrinking market of thermal coal and difficult organisation of production, Pingshuo Company coordinated and rationalised production schedule of open pit mines and underground coal mines, continued to optimise product structure, enhanced control for coal quality in each stages of production, washing and preparation and shipping, accelerated land acquisition and relocation work and achieved a roadheading length of 19,918 metres; and recorded a commercial coal production volume of 66.48 million tonnes, representing a year-on-year decrease of 21.4%. Wangjialing Coal Mine of China Coal Huajin Company maintained stable production with high efficiency. Yaping Mine completed its technical renovation and was put into production. China Coal Huajin Company achieved a roadheading length of 12,926 metres; and recorded a commercial coal production volume of 9.95 million tonnes, representing a year-on-year increase of 42.8%, of which clean coking coal amounted to 5.64 million tonnes, representing a year-on-year growth of 18.7%. Shanghai Energy Company proactively optimised production layout, stabilised coal production volume, increased proportion of washing coal, achieved a roadheading length of 34,689 metres; and recorded a commercial coal production volume of 8.13 million tonnes, remaining basically flat year-on-year.

Commercial Coal Production Volume (10 thousand tonnes)	**2015**	2014 (restated)	Change (%)
Total	**9,547**	11,184	-14.6
Of which: Pingshuo Company	**6,648**	8,459	-21.4
Shanghai Energy Company	**813**	808	0.6
China Coal Huajin Company	**995**	697	42.8

Note: The production volume of commercial coal for the reporting period and the corresponding period of 2014 did not include the volume of commercial coal produced by Hecaogou Coal Mine of Shaanxi.

2. Coal sales

The Company flexibly adjusted its marketing strategy, optimised market layout, introduced innovative business cooperation model, and actively explored new markets and new clients. The Company strengthened coal quality management, intensified blending of low-sulphur coal purchased externally, improved product structure, enhanced quality of commercial coal quality. Moreover, the Company strengthened its sales service management and improved its service standard in a customer-centred approach. During the reporting period, owing to the decline in demand of domestic coal market, the Company recorded accumulated sales volume of commercial coal of 137.72 million tonnes, representing a year-on-year decrease of 12.2%, of which sales volume of self-produced commercial coal amounted to 97.54 million tonnes, representing a year-on-year decrease of 8.1%. Pingshuo Company's sales volume of self-produced commercial coal amounted to 65.91 million tonnes, representing a year-on-year decrease of 21.9%. Shanghai Energy Company's sales volume of self-produced commercial coal amounted to 7.29 million tonnes, representing a year-on-year growth of 1.3%. China Coal Huajin Company's sales volume of self-produced commercial coal amounted to 9.76 million tonnes, representing a year-on-year growth of 48.8%.

Owing to the year-on-year decrease in the coal sales volume, during the reporting period, the Company's railway transportation volume of self-produced commercial coal reached 75.40 million tonnes, representing a year-on-year decrease of 13.19 million tonnes or 14.9%.

Sales volume of commercial coal (10 thousand tonnes)	**2015**	2014	Change (%)
(I) Domestic sales of self-produced coal	**9,723**	10,557	-7.9
By region: North China	**3,015**	5,347	-43.6
East China	**4,754**	3,433	38.5
South China	**1,383**	1,553	-10.9
Others	**571**	224	154.9
By coal type: Thermal coal	**8,831**	9,939	-11.1
Coking coal	**892**	618	44.3
(II) Self-produced coal export	**31**	52	-40.4
By region: Taiwan, China	**31**	52	-40.4
By coal type: Thermal coal	**31**	52	-40.4
(III) Proprietary trading	**3,609**	4,634	-22.1
Of which: Domestic resale	**3,417**	4,416	-22.6
Import trading	**177**	215	-17.7
Self-operated exports	**15**	3	406.7
(IV) Agency sales	**409**	446	-8.3
Of which: Import agency	**10**	66	-84.8
Export agency	**206**	214	-3.7
Domestic agency	**193**	166	16.3
Total	**13,772**	15,689	-12.2

(2) Coal Chemical Operations

In 2015, the Company strengthened production control of coal chemical enterprises, optimised the operating parameter of devices, and stabilised production load. Coal chemical projects generally performed well, with increased productivity of key products such as olefin, urea and methanol, advantage of scale of which started to emerge. The Company focused on quality control of products. By improving comprehensive marketing network for coal chemical products, key products achieved smooth sales. Mainly affected by the fall in international crude oil price, the price of major domestic chemical products declined significantly, which affected the profits of coal chemical products to some extent. The Company strengthened operating management and focused on decreasing costs and improving efficiency. Coal chemical sector achieved better economic benefit, which to some extent alleviated the operating pressure brought by the decline in coal business.

During the reporting period, the Company's Yulin Olefin Project achieved full-load operation with stable product quality and robust production and sales, producing 683,000 tonnes of polyolefin in total and selling 676,000 tonnes, which represented a year-on-year increase of 509,000 tonnes and 519,000 tonnes respectively.

Tuke Fertiliser Project fully utilised its productivity advantage with efforts to reduce unit consumption and actively developed domestic and overseas markets. During the reporting period, the Company accumulatively produced 1.963 million tonnes of urea, representing a year-on-year growth of 85.9%; and sold 1.754 million tonnes of urea, representing a year-on-year growth of 104.4%.

Mengda Methanol Project maintained stable operation since its commencement of operation and actively penetrated into surrounding markets with smooth sales of products. During the reporting period, the Company accumulatively produced 786,000 tonnes of methanol, representing a year-on-year growth of 36.2%; and sold 796,000 tonnes of methanol, representing a year-on-year growth of 35.8%.

Production and sales volume of coal chemical products (10 thousand tonnes)	**2015**	2014	Change (%)
(I) Olefin			
1. Production volume of polyethylene	**35.3**	9.7	263.9
Sales volume	**35.3**	8.9	296.6
2. Production volume of polypropylene	**33.0**	7.7	328.6
Sales volume	**32.3**	6.8	375.0
(II) Urea			
1. Production volume	**196.3**	105.6	85.9
2. Sales volume	**175.4**	85.8	104.4
(III) Methanol			
1. Production volume	**78.6**	57.7	36.2
2. Sales volume	**79.6**	58.6	35.8
(IV) Coke			
1. Production volume	**195.7**	194.4	0.7
2. Sales volume	**208.2**	252.2	-17.4
Of which: Sales volume of self-produced coke	**193.2**	200.4	-3.6

Notes: 1. The methanol sales volume of the Company includes sales of all proprietary methanol products produced by Heilongjiang Coal Chemical Group, a subsidiary of China Coal Group.

2. The sales volumes of urea and methanol for 2014 comprised those for the trial production period.

(3) Coal Mining Equipment Operations

During 2015, domestic coal demand continued to shrink, resulting in more fierce market competition. The Company proactively launched coal mining professional services, making effort to increase its revenue from equipment repairing and accessories operations. The Company strengthened its ability to tackle R&D breakthroughs and improved the overall competitiveness of the products. Also, the Company took advantage of the "One Belt, One Road" policy to actively develop overseas market. During the reporting period, the Company achieved RMB4.31 billion production value of coal mining equipment, representing a year-on-year decrease of 22.5%. The total production volume of coal mining equipment reached 230,000 tonnes, representing a year-on-year decrease of 15.8%, of which 8,735 units (sets) were major coal mining equipment.

	Production value (RMB100 million)			**Sales revenue (RMB100 million)**	
Coal mining equipment	**2015**	2014	Change (%)	**2015**	Percentage of operating revenue of the coal mining equipment segment (%)
Conveyor equipment	**18.9**	23.1	-18.2	**7.2**	14.5
Support equipment	**12.1**	16.5	-26.7	**9.3**	18.7
Road header	**3.9**	5.1	-23.5	**0.6**	1.2
Shearer	**4.3**	5.6	-23.2	**2.7**	5.4
Electric mining motor	**3.9**	5.3	-26.4	**3.1**	6.2
Total	**43.1**	55.6	–22.5	**49.8**	–

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

2. The total sales revenue of RMB4.98 billion included revenues generated from accessories, services and trading.

(4) Coordination among Operating Sectors

The Company strived to stabilise its tradition principal businesses, expedited industrial transformation and upgrade and perfected circular industrial chain including coal-electricity-chemical to promote 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 1.46 million tonnes of self-produced low calorific value coal. Coal chemical projects in the region of Inner Mongolia and Shaanxi exerted more effort on local transformation of self-produced coal, which timely consumed 1.13 million tonnes of engineering coal in surrounding coal mines under construction. The segment of coal equipment achieved internal products sales and service revenue of RMB481 million, representing 9.7% of sales revenue of the segment, which alleviated the operating pressure brought by the rapid decline in equipment market to some extent.

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 competition and provide favourable conditions for achieving sustainable development.

The Company adheres to the optimisation of industrial structure, actively develops core business such as coal chemical and electric power. The Company's coal-based fertiliser project constructed in the base in Inner Mongolia-Shaanxi which is the largest single urea plant project in the PRC, has officially commenced operation and opened up export channels, with favourable advantages in terms of size and cost. The coal-based olefin project produced qualified products following a single commissioning test run, which created records in terms of the shortest construction period and test run for similar facilities in the PRC. The products were widely recognised by the market. Other projects such as Mengda Engineering Plastics and Pingshuo Inferior Coal Comprehensive Utilisation Project have entered into the final construction phase and will, upon commencement of operation, further push forward the Company's comprehensive utilisation of the classification of coal as well as enhance product value and efficiency. The Company is vigorously pushing forward the construction of low calorific value coal and pit- mouth power generation bases. In 2015, four power plant projects were granted approvals and started construction in full swing. The Company's advantage in owning complete industrial chain of coal-chemical-electricity has laid 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 network of coal sales and logistics, well-established port service facilities 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 world's only large-scale energy enterprise, which is able to engage in manufacturing coal mining machinery, 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 product scope 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 adhered to the established strategy 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 achieved scale development and innovative coal chemical became a new growth driver. Power industry also made new achievements while equipment industry stayed ahead of the industry. Amidst the predicament of the industry, the Company vigorously pushed forward quality enhancement, cost reduction and efficiency improvement so as to maintain a sound financial structure and further 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 2015, the imbalance between supply and demand in the Chinese coal market remained prominent, complicated by high coal stockpiles across the country and falling coal prices, resulting in fierce competition in coal market and difficulties in the collection of coal proceeds, which brought greater operating pressure for coal enterprises. According to the data from the National Bureau of Statistics, total nationwide coal output amounted to 3.75 billion tonnes in 2015, down by 3.3% year-on-year. The coal consumption of China in 2015 decreased by 3.7% year-on-year. The coal price witnessed a further decrease with Bohai-Rim Steam-Coal Price Index at an average RMB423/tonne over the whole year, representing a year-on-year decrease of 18.7%. The level of coal inventories remained high, with the nationwide coal inventories amounted to over 300 million tonnes for 48 consecutive months.

Under the circumstances of overcapacity in coal and coal-consuming industries and rapid development of alternative energy, the Chinese government has been accelerating the supply-side reform by expanding its effort in "cutting overcapacity, destocking, deleveraging, reducing cost and remedying the weakness" and other aspects. Specialised fund for adjustment of industrial enterprise structure to support de-capacity in steel, coal and other industries will be established. Relevant national ministries are formulating related work plan to gradually eliminate backward production capacity, strictly control additional productivity and encourage mergers and reorganisation of medium to small scale coal mines by large scale coal enterprise, so as to improve industrial concentration and promote business structure towards medium and high end. With the gradual release of reform dividend as well as the implementation of relevant policies for making up the deficit of coal, resources of coal industry will flow into superior enterprises while backward productivity will be gradually eliminated, thus relieving the rapid decline in industrial benefits.

Pingshuo Company, the principle coal enterprise of the Company, possesses rich resource reserve with high coal production efficiency and convenient railway transportation, being one of the major customers of Daqin Line. China Coal Huajin Company has stable quality of coking coal and the products of which are able to arrive at the Port of Rizhao and the steel enterprises along the route through Jinzhong South Railway. 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 relationship with key steel enterprises such as Baosteel and Shagang. The base in Inner Mongolia-Shaanxi would enable the Company to deliver coal to the ports in Bohai-Rim Region including Caofeidian Harbour in the future through Mengji Railway. Furthermore, since 4 February 2016, national railway freight was reduced by RMB0.01/tonne kilometer, which would bring about positive effects on reduction of logistic cost and operating pressure of the Company.

IV. INDUSTRY DEVELOPMENT TRENDS OF THE BUSINESS OF THE COMPANY

In 2016, owing to slowdown in the growth rate of macroeconomics, adjustments of energy structure and other factors, the situation of imbalance between coal supply and demand would continue. Coal production capacity is excessive while coal consumption is expected to remain low. Among major coal transport corridors, the transport capacity of Daqin Line has reached a surplus of around 50 million tonnes and capacity of Shuohuang Line has been increased to 350 million tonnes after finalising upgrading. Following Daqin Line and Shuohuang Line, Mengji Railway has become the third energy corridor in China and it has opened to traffic at the beginning of 2016 after its completion. The bottleneck of domestic coal transportation is expected to be overcome in the future with an improved transport capacity. For import, the import volume of China in 2015 recorded a year-on-year decrease of 29.98%, but it is expected to maintain certain scale in 2016.

Considering various factors such as domestic coal supply and demand, transportation and imported coal, the supply and demand imbalance is anticipated to remain unchanged in 2016 and will be expected to persist for a long time. However, following the implementation of supply-side reform policies of the Chinese government, the national coal production volume is expected to decrease to some extent in 2016, gradually alleviating the serious overcapacity.

V. PRODUCTION AND OPERATION PLANS OF THE COMPANY IN 2016

Faced with the challenging market conditions in 2015, 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 95.47 million tonnes and sales volume of self-produced commercial coal of 97.54 million tonnes, which was slightly lower than planned at the beginning of 2015. Unit cost of sales of self-produced commercial coal fell by 6.6% year-on-year. The Company's operating income fell by 16.1% year-on-year, primarily attributable to the continuing coal prices decline and the Company's voluntary initiative to limit production.

In 2016, the Company will stick to the general requirement of "overcoming all difficulties with firm confidence" by rationalising production schedule in a scientific and reasonable manner, reinforcing connection between production, transportation and marketing; optimising product mix, continuously enhancing cost and expense control, accelerating transformation and upgrade and proactively coping with the challenging market conditions. Production volume and the sales volume of self-produced commercial coal is planned to be 80 million tonnes for 2016. The Company will strive to control the unit cost of sales of self-produced commercial coal at the level as 2015. The Company will stabilise the scale of operating revenue and achieve operating revenue of around RMB50 billion in 2016. In addition, the Company will strictly control the growth of expenses, make efforts to mitigate the losses, strive for making up the deficit and achieve significant results.

Firstly, the Company will take the initiative to adapt to the changes brought by the supply-side reform of the Chinese government. Under the requirement of "prioritizing efficiency, stabilising production and improving quality, and optimising structure", the Company will organise production in a scientific manner, strengthen coal blending and make effort to complete production work.

Secondly, the Company will continue to enhance the operating standard of coal chemical projects. The Company will reduce production consumption and improve product benefits.

Thirdly, the Company will strengthen market-orientation. The Company will adhere to the principle of "paying equal attention on both quantity and price", enhance marketing organisation and ensure perfect coordination between production and sales.

Fourthly, the Company will improve the level of refined management, strengthen management and control on budgeting, highlight process control, target management and performance assessment and strictly control the growth of cost and expenses. The Company will continue to promote internal reform and enhance enterprise management and control to further stimulate the operations of the enterprise.

Fifthly, the Company will optimise investment structure, establish new industrial mechanism and advance key projects. The Company will strictly manage and control project investment, accelerate structural adjustments and promote transformation and upgrade, as an effort to achieve long-term stable development of the Company.

Sixthly, the Company will further push for safety and quality standardisation, improve the safety management and risk pre-control system, tighten management and control for coal, coal chemical and other key business sectors. The Company will promote annual target management of energy conservation and environmental protection and strengthen daily supervision and examination.

Seventhly, the Company will reinforce innovation-driven strategy, secure technology investment, enhance technology management, proceed major technology projects in an orderly way so as to support construction of new bases as well as upgrade and transformation of old bases. The Company will promote the application of information integration and, by taking advantages of "Internet+", explore the transformation, upgrade, innovation and development of traditional industry.

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

SIGNIFICANT EVENTS

(1) Share Capital Structure

As at 31 December 2015, 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 2014

The Company's 2014 profit distribution plan was considered and approved at the Company's 2014 annual general meeting held on 16 June 2015. In the year 2014, cash dividends of RMB319,787,400 were distributed to the Shareholders, representing 30% of the RMB1,065,958,000 of distributable profit presented in the consolidated financial statements prepared under the International Financial Reporting Standards. The distribution was based on the Company's total issued share capital of 13,258,663,400 shares, representing a dividend of RMB0.024 per share (inclusive of tax). The final dividends were duly paid to Shareholders in July 2015.

(3) Amendment to the Articles of Association

As the Company's coal chemical projects gradually put into production, the Company is required to include "sale of chemical products (excluding hazardous chemicals and precursor chemicals in category I) in the Company's business scope. At the same time, the Company is required to adjust the "coal wholesale operations" under scope of business operation of the Company from licensed operations to general operations in accordance with the above provisions, and to cancel the valid period of the "coal wholesale operations". According to the above requirements, the Resolution on Amendment to the Articles of Association of China Coal Energy Company Limited was considered and approved at the first extraordinary general meeting held by the Company on 27 October 2015, which adds "sale of chemical products (excluding hazardous chemicals and precursor chemicals in category I) " to the scope of the operation, and requires to adjust the "coal wholesale operations" from licensed operations to general operations, and to cancel the valid period of the "coal wholesale operations".

For details, please refer to relevant announcements published on the SSE Website, HKSE Website and the Company Website on 27 October 2015.

(4) Transaction of Assets

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

(5) Other Significant Events

1. Change in accounting estimate

On 24 April 2015, in order to define the depreciation of fixed assets in a more fair way, and to more appropriately reflect the Company's actual financial conditions and operating results, the second meeting of the second session of the Board in 2015 considered and passed the Resolution on the Adjustment of Depreciation Periods of Certain Fixed Assets and approved the adjustment of the depreciation periods of certain fixed assets of major coal production enterprises by the Company in accordance with the requirements of relevant laws and policies including the Accounting Standards for Business Enterprises.

For details, please refer to relevant announcements published on the SSE Website, The Stock Exchange of Hong Kong Limited Website and the Company Website on 24 April and 28 April 2015.

2. Investment in Ezhou Power Generation Company

On 24 April 2015, the second meeting of the second session of the Board of the Company in 2015 considered and passed the Resolution on Equity Investment in the Hubei Energy Group Ezhou Power Generation Company Limited and approved China Coal Sales and Transportation Company Limited, a wholly-owned subsidiary of the Company, to invest RMB535 million in Ezhou Power Generation Company and hold 10% equity interest in Ezhou Power Generation Company by way of capital and share increase. Up till now, the capital injection of China Coal Sales and Transportation Company Limited has been completed, whereas the registration of change with the industry and commerce administration authority by Ezhou Power Generation Company has also been completed.

For details, please refer to relevant announcements published on the SSE Website, HKSE Website and the Company Website on 24 April 2015.

3. **Provision of guarantee for Hecaogou Company**

On 25 May 2015, the third meeting of the second session of the Board in 2015 considered and passed the Resolution on Provision of Guarantee for Bank Borrowings of Yan'an Hecaogou Coal Company Limited by China Coal Shaanxi Yulin Energy & Chemical Company Limited in accordance with Shareholding Ratio. On 27 October 2015, the above resolution has been considered and approved at the first extraordinary general meeting of the Company in 2015.

For details, please refer to relevant announcements published on the SSE Website, HKSE Website and the Company Website on 25 May 2015 and 27 October 2015.

4. **Issuance of medium-term notes**

On 17 June 2015, the Company issued the first tranche of medium-term notes in 2015. The total actual amount of the issuance was RMB10 billion, with a par value of RMB100 for each note, with coupon rate of 4.95% and a term of 7 years. On 18 June 2015, the proceeds raised were fully credited to the account of the Company. This issuance of medium-term notes is mainly used to supplement the Company's working capital and routine expenditures including purchasing of accessories, fuel, consumables, steel etc., so as to maintain smooth running of operations.

For details, please refer to relevant announcements published on the SSE Website, HKSE Website and the Company Website on 18 June 2015.

5. **Provision of guarantee and entrusted loan to Zhongtian Synergetic Company**

On 21 August 2015, the second meeting of the third session of the Board in 2015 considered and approved the Resolution on the Provision of Guarantee for Bank Loan regarding the Coal Deep Processing Demonstration Project of Zhongtian Synergetic Company in accordance with Shareholding Ratio, and such resolution has been approved by the Company's general meeting dated 27 October 2015.

On 27 October 2015, the third meeting of the third session of the Board in 2015 considered and passed the Resolution on the Provision of Entrusted Loan for the Coal Deep Processing Demonstration Project of Zhongtian Synergetic Company, and approved the Company to provide entrusted loan of RMB3.1 billion to Zhongtian Synergetic in accordance with shareholding ratio.

For details, please refer to relevant announcements published on the SSE Website, HKSE Website and the Company Website on 21 August 2015 and 27 October 2015.

6. Increase in the Company's shareholding by Funde Sino Life

On 9 October 2015, the Company received a notice from its shareholder, Funde Sino Life. As at 8 October 2015, Funde Sino Life and its foreign wholly-owned subsidiary, Fund Resources Investment Holding Group Company Limited (Hong Kong), held an aggregate of 15.00% voting rights of the H Shares of the Company through secondary market transactions. As commissioned by Funde Sino Life, the Condensed Report on the Changes in Equity of China Coal Energy Company Limited has been disclosed by the Company. As at 31 December 2015, according to the disclosure of interests published on the HKSE website, Funde Sino Life had long positions in 2,012,858,147 H shares of the Company. The above changes in equity will not lead to changes in controlling shareholders and beneficial controllers.

For details, please refer to relevant announcements published on the SSE Website, HKSE Website and the Company Website on 9 October 2015.

EMPLOYEES

As at 31 December 2015, the Group had 52,648 employees in total (2014: 54,150 employees in total).

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company was dedicated in enhancing the quality of its corporate governance. As at 31 December 2015, the Company strictly complied with the "Corporate Governance Code" and "Corporate Government Report" set out in Appendix 14 of the Hong Kong Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Company's annual results for the year ended 31 December 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 of the Hong Kong Listing Rules for the year ended 31 December 2015. The Company, having made a specific enquiry, confirmed that all Directors and supervisors of the Company had complied with the Model Code for the year ended 31 December 2015.

REMUNERATION OF DIRECTORS AND SUPERVISORS

For the year ended 31 December 2015, no Directors or supervisors of the Company had agreed to waive any remuneration.

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

DIVIDENDS

For the year ended 31 December 2015, the net profit attributable to shareholders of the parent company as set out in the audited consolidated financial statements of the year 2015 of the Company was negative, and the Board does not recommend to distribute cash dividends or to implement capitalisation from capital reserves. Independent Directors have concurred with the proposal not to distribute profit. Such proposal is subject to approval at the 2015 annual general meeting of the Company.

As of 31 December 2015, no arrangement was reached pursuant to which the Shareholders waived or agreed to waive their dividends.

FINANCIAL IMPACT OF EQUITY TRANSFER IN RELATION TO FOUR SUBSIDIARIES

Reference is made to the announcement made by the Company dated 6 December 2015, relating to the equity transfer of four subsidiaries of the Company (i.e. 75% equity interest in Jiangsu Datun Aluminum Co., Ltd., 100% equity interest in Shanxi Chinacoal Pingshuo New Building Materials Co., Ltd., 100% equity interest in Shanxi Chinacoal Pingshuo Xinyuan Co., Ltd. and 100% equity interest in Shanxi Chinacoal Pingshuo Zhengjia Rubber Co., Ltd.) to the subsidaries of the China Coal Group. The Group recorded loss of approximately RMB46.3661 million (before relevant transaction costs and expenses) due to the disposal, which represents the difference between approximately RMB927.6903 million, being the consideration of the transaction under the equity transfer agreement and approximately RMB881.3242 million, being the book value of assets involved in the disposal based on the Group's accounts as at 30 September 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2015, the Company and its subsidiaries had not purchased, sold or redeemed any securities (the term "securities" has the prescribed meaning under the Hong Kong Listing Rules) of the Company.

AUDITORS

The Company has appointed PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian as its international and domestic auditor, respectively, for the year ended 31 December 2015. The financial statements of the Company prepared in accordance with IFRS have been audited by PricewaterhouseCoopers and an unqualified opinion has been issued.

ANNOUNCEMENT OF ANNUAL REPORT ON THE HKSE WEBSITE

Pursuant to the requirements of the Hong Kong Listing Rules regarding the reporting period, the 2015 annual report of the Company will set out all information disclosed in the annual results announcement for 2015 and will be disclosed on the Company Website and the HKSE Website on or before 30 April 2016.

DEFINITIONS

In this results announcement, unless the context otherwise requires, the following expressions have the following meanings:

Company/China Coal Energy/ the Group/the Company	China Coal Energy Company Limited, unless otherwise indicated, also includes all of its subsidiaries
Board of the Company/Board	the board of directors of China Coal Energy Company Limited
Director(s)	the director(s) of the Company, including all the executive directors, non-executive directors and independent non-executive directors
China Coal Group	China National Coal Group Corporation, the controlling shareholder of the Company
Shanghai Energy Company	Shanghai Datun Energy Resources Company Limited
Yulin Olefin (Project)	the Yulin Acetic Acid Deep Processing & Comprehensive Utilisation Project
Tuke Fertiliser (Project)	the fertiliser project at Tuke Industrial Park in Ordos
Mengda Methanol (Project)	Mengda Coal-based Methanol Project
Mengda Engineering Plastics (Project)	Mengda New Energy & Chemical Industry Company Limited

Pingshuo Inferior Coal Comprehensive Unitilisation (Project)	Pingshuo Inferior Coal Comprehensive Utilisation Demonstration Project
Zhongtian Synergetic Company	Zhongtian Synergetic Energy Company Limited
Pingshuo Company	China Coal Pingshuo Group Company Limited
China Coal Huajin Company	Shanxi China Coal Huajin Energy Company Limited
Yaping Mine	the coal mine affiliated to Shanxi China Coal Huajin Energy Company Limited
Funde Sino Life Company	Funde Sino Life Insurance Co., Ltd.
Heilongjiang Coal Chemical Group	China Coal Heilongjiang Coal Chemical Engineering (Group) Company Limited
Finance Company	China Coal Finance Co., Ltd.
Shaanxi Company	China Coal Shaanxi Yulin Energy & Chemical Company Limited
Hecaogou Company	Yan'an Hecaogou Coal Mine Company Limited
Ezhou Power Generation Company	Hubei Energy Group Ezhou Power Generation Company Limited
Taiyuan Coal Gasification Longquan Company	Taiyuan Coal Gasification Longquan Energy Development Company Limited
China Coal Yuanxing Company	Inner Mongolia China Coal Yuanxing Energy Chemical Company Limited
Boyuan Joint Chemical Company	Inner Mongolia Boyuan Joint Chemical Company Limited
Sulige Natural Gas Company	Inner Mongolia Sulige Natural Gas Company Limited
HKSE	The Stock Exchange of Hong Kong Limited
HKSE Website	www.hkexnews.hk
SSE	the Shanghai Stock Exchange
SSE Website	www.sse.com.cn

Company Website	www.chinacoalenergy.com
Articles of Association	the articles of association passed at the inaugural meeting of the Company on 18 August 2006 and approved by the relevant state authorities, as amended and supplemented from time to time
A Share(s)	the ordinary share(s) issued to domestic investors in China with approval from CSRC, which are listed on the SSE and traded in RMB
H Share(s)	the overseas listed foreign share(s) of RMB1.00 each in the share capital of the Company, which are listed on the HKSE for subscription in Hong Kong dollars
PricewaterhouseCoopers Zhong Tian	PricewaterhouseCoopers Zhong Tian LLP
PricewaterhouseCoopers	PricewaterhouseCoopers
Share(s)	the ordinary shares of the Company, including A Share(s) and H Share(s)
Shareholder(s)	the shareholder(s) of the Company, including holder(s) of A Shares and holder(s) of H Shares
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
RMB	RMB yuan

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

Beijing, the PRC, 22 March 2016

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

* *For identification purpose only*