中国神华
CHINA SHENHUA

中国神华能源股份有限公司
CHINA SHENHUA ENERGY COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 01088)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

- Revenues of the Group in 2012 were RMB250,260 million, representing an increase of RMB41,035 million or 19.6% over 2011.
- Profit attributable to equity shareholders of the Company in 2012 was RMB48,858 million, representing an increase of RMB3,012 million or 6.6% over 2011.
- Earnings per share was RMB2.456.
- EBITDA[1] in 2012 was RMB87,754 million, representing an increase of RMB3,223 million or 3.8% over 2011.
- The Board proposed a final dividend of RMB0.96 per share or RMB19,094 million for the year of 2012.

The Board of China Shenhua Energy Company Limited (the "Company") is pleased to present the annual results of the Company and its subsidiaries (the "Group" or "China Shenhua") for the year ended 31 December 2012 and to report our performance for the year.

FINANCIAL INFORMATION

Financial information extracted from the audited financial statements for the year ended 31 December 2012 prepared in accordance with International Financial Reporting Standards ("IFRSs"):

Note 1: EBITDA is defined as profit for the year plus net financing costs, income tax, depreciation and amortisation, and excluding investment income and shares of profits less losses of associates.

Consolidated statement of comprehensive income

for the year ended 31 December 2012
(Expressed in Renminbi)

	Note	***2012*** ***RMB million***	*2011* *RMB million* (restated- Note 1(a))
Revenues			
Coal revenue		**165,989**	138,263
Power revenue		**71,096**	61,204
Other revenues		**13,175**	9,758
Total operating revenues	3	**250,260**	209,225
Cost of revenues			
Coal purchased		**(69,685)**	(45,904)
Materials, fuel and power		**(18,400)**	(14,777)
Personnel expenses		**(10,369)**	(9,158)
Depreciation and amortisation		**(16,797)**	(14,856)
Repairs and maintenance		**(7,467)**	(6,070)
Transportation charges		**(17,481)**	(18,304)
Others		**(27,555)**	(19,569)
Total cost of revenues		**(167,754)**	(128,638)
Selling, general and administrative expenses		**(12,950)**	(11,056)
Other operating income/(expenses), net		**48**	(825)
Total operating expenses	4	**(180,656)**	(140,519)
Profit from operations		**69,604**	68,706
Finance income	5	**1,258**	1,092
Finance expenses	5	**(3,329)**	(3,296)
Net finance costs		**(2,071)**	(2,204)
Investment income		**1**	1
Share of profits less losses of associates		**477**	346
Profit before income tax		**68,011**	66,849
Income tax	6	**(10,965)**	(14,041)
Profit for the year		**57,046**	52,808
Other comprehensive income			
Exchange differences on translation of financial statements of overseas subsidiaries		**80**	(48)
Total comprehensive income for the year		**57,126**	52,760
Profit attributable to:			
Equity shareholders of the Company		**48,858**	45,846
Non-controlling interests		**8,188**	6,962
Profit for the year		**57,046**	52,808
Total comprehensive income attributable to:			
Equity shareholders of the Company		**48,932**	45,805
Non-controlling interests		**8,194**	6,955
Total comprehensive income for the year		**57,126**	52,760
Earnings per share (RMB)	8		
– Basic		**2.456**	2.305
– Diluted		**2.456**	2.305

Consolidated statement of financial position
at 31 December 2012
(Expressed in Renminbi)

	Note	*2012* *RMB million*	*2011* *RMB million* (restated- Note 1(a))
Non-current assets			
Property, plant and equipment, net		**236,048**	223,329
Construction in progress		**61,142**	34,384
Intangible assets		**3,781**	3,610
Interest in associates		**4,689**	3,992
Other long-term equity investments		**960**	835
Other non-current assets		**24,614**	18,915
Lease prepayments		**13,667**	11,983
Deferred tax assets		**1,106**	933
Total non-current assets		**346,007**	297,981
Current assets			
Inventories		**15,171**	12,939
Accounts and bills receivable, net	9	**20,028**	13,618
Prepaid expenses and other current assets		**14,480**	12,694
Restricted bank deposits		**6,082**	4,115
Time deposits with original maturity over three months		**3,972**	3,508
Cash and cash equivalents		**51,627**	61,652
Total current assets		**111,360**	108,526
Current liabilities			
Short-term borrowings and current portion of long-term borrowings		**28,093**	16,489
Accounts and bills payable	10	**31,072**	23,763
Accrued expenses and other payables		**41,423**	39,286
Current portion of long-term payables		**283**	271
Income tax payable		**4,686**	7,940
Total current liabilities		**105,557**	87,749
Net current assets		**5,803**	20,777
Total assets less current liabilities		**351,810**	318,758
Non-current liabilities			
Long-term borrowings, less current portion		**39,624**	45,443
Long-term payables, less current portion		**2,558**	2,346
Accrued reclamation obligations		**1,921**	1,724
Deferred tax liabilities		**1,150**	1,131
Total non-current liabilities		**45,253**	50,644
Net assets		**306,557**	268,114
Equity			
Share capital		**19,890**	19,890
Reserves		**236,699**	208,309
Equity attributable to equity shareholders of the Company		**256,589**	228,199
Non-controlling interests		**49,968**	39,915
Total equity		**306,557**	268,114

Consolidated statement of changes in equity

for the year ended 31 December 2012
(Expressed in Renminbi)

	Equity attributable to equity shareholders of the Company									
	Share capital RMB million	*Share premium RMB million*	*Capital reserve RMB million*	*Exchange reserve RMB million*	*Statutory reserves RMB million*	*Other reserves RMB million*	*Retained earnings RMB million*	*Total RMB million*	*Non-controlling interests RMB million*	*Total equity RMB million*
At 1 January 2011 (as previously reported)	19,890	85,001	3,612	680	14,921	3,489	77,520	205,113	32,314	237,427
Adjustment in relation to the 2012 Acquisitions (Note 1(a))	–	–	–	21	–	1,315	365	1,701	1,187	2,888
At 1 January 2011 (as restated)	19,890	85,001	3,612	701	14,921	4,804	77,885	206,814	33,501	240,315
Total comprehensive income:										
Profit for the year	–	–	–	–	–	–	45,846	45,846	6,962	52,808
Other comprehensive income (exchange differences on translation of financial statements of overseas subsidiaries)	–	–	–	(41)	–	–	–	(41)	(7)	(48)
Total comprehensive income for the year	–	–	–	(41)	–	–	45,846	45,805	6,955	52,760
Other movements:										
Dividend declared (Note 7)	–	–	–	–	–	–	(14,917)	(14,917)	–	(14,917)
Appropriation of maintenance and production funds	–	–	–	–	3,736	–	(3,736)	–	–	–
Utilisation of maintenance and production funds	–	–	–	–	(2,677)	–	2,677	–	–	–
Appropriation of general reserve	–	–	–	–	33	–	(33)	–	–	–
Contributions from then shareholders in relation to the 2011 Acquisitions and 2012 Acquisitions	–	–	–	–	–	1,055	–	1,055	–	1,055
Distributions to then shareholders in relation to the 2011 Acquisitions and 2012 Acquisitions	–	–	–	–	–	–	(242)	(242)	(211)	(453)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	2,217	2,217
Distributions to non-controlling interests	–	–	–	–	–	–	–	–	(3,456)	(3,456)
Consideration for the 2011 Acquisitions (Note 1(b))	–	–	–	–	–	(10,316)	–	(10,316)	–	(10,316)
Acquisition of subsidiaries (Note 1(c))	–	–	–	–	–	–	–	–	909	909
Sub-total	–	–	–	–	1,092	(9,261)	(16,251)	(24,420)	(541)	(24,961)
At 31 December 2011 (as restated)	19,890	85,001	3,612	660	16,013	(4,457)	107,480	228,199	39,915	268,114

	Equity attributable to equity shareholders of the Company									
	Share capital RMB million	*Share premium RMB million*	*Capital reserve RMB million*	*Exchange reserve RMB million*	*Statutory reserves RMB million*	*Other reserves RMB million*	*Retained earnings RMB million*	*Total RMB million*	*Non-controlling interests RMB million*	*Total equity RMB million*
At 1 January 2012 (as restated)	19,890	85,001	3,612	660	16,013	(4,457)	107,480	228,199	39,915	268,114
Total comprehensive income:										
Profit for the year	–	–	–	–	–	–	48,858	48,858	8,188	57,046
Other comprehensive income (exchange differences on translation of financial statements of overseas subsidiaries)	–	–	–	74	–	–	–	74	6	80
Total comprehensive income for the year	–	–	–	74	–	–	48,858	48,932	8,194	57,126
Other movements:										
Dividend declared (Note 7)	–	–	–	–	–	–	(17,901)	(17,901)	–	(17,901)
Appropriation of maintenance and production funds	–	–	–	–	4,248	–	(4,248)	–	–	–
Utilisation of maintenance and production funds	–	–	–	–	(3,875)	–	3,875	–	–	–
Appropriation of general reserve	–	–	–	–	152	–	(152)	–	–	–
Contributions from then shareholders in relation to the 2012 Acquisitions	–	–	–	–	–	150	–	150	–	150
Distributions to then shareholders in relation to the 2012 Acquisitions	–	–	–	–	–	–	(81)	(81)	(81)	(162)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	5,395	5,395
Distributions to non-controlling interests	–	–	–	–	–	–	–	–	(5,034)	(5,034)
Consideration for the 2012 Acquisitions (Note 1(a))	–	–	–	–	–	(2,710)	–	(2,710)	–	(2,710)
Acquisition of subsidiaries (Note 1(c))	–	–	–	–	–	–	–	–	1,579	1,579
Sub-total	–	–	–	–	525	(2,560)	(18,507)	(20,542)	1,859	(18,683)
At 31 December 2012	19,890	85,001	3,612	734	16,538	(7,017)	137,831	256,589	49,968	306,557

Note:

In 2005, the Company issued 3,089,620,455 H shares with a par value of RMB1.00 each, at a price of HKD7.50 per H share by way of a global initial public offering. In addition, 308,962,045 domestic state-owned ordinary shares of RMB1.00 each owned by Shenhua Group Corporation Limited ("Shenhua Group") were converted into H shares. A total of 3,398,582,500 H shares were listed on the Stock Exchange of Hong Kong Limited.

In 2007, the Company issued 1,800,000,000 A shares with a par value of RMB1.00 each, at a price of RMB36.99 per A share in the PRC. The A shares were listed on the Shanghai Stock Exchange.

Consolidated statement of cash flows
for the year ended 31 December 2012
(Expressed in Renminbi)

	Note	*2012* *RMB million*	*2011* *RMB million*
			(restated-Note 1(a))
Operating activities			
Cash generated from operations		**86,548**	85,101
Interest received		**750**	978
Interest paid		**(3,554)**	(3,300)
Income tax paid		**(14,689)**	(11,830)
Net cash generated from operating activities		**69,055**	70,949
Investing activities			
Capital expenditure		**(52,256)**	(45,082)
Lease prepayments		**(1,113)**	(259)
Proceeds from disposal of property, plant and equipment		**220**	50
Payment for the 2011 Acquisitions and 2012 Acquisitions	1(a)	**(4,324)**	(8,702)
Net cash inflow in relation to the acquisition of subsidiaries		**498**	–
Net cash outflow in relation to the acquisition of subsidiaries		**(1,072)**	(1,666)
Capital injections in associates		**(260)**	(188)
Purchase of other long-term equity investments		**(116)**	–
Dividend received from associates		**151**	213
Dividend received from other investments		**1**	1
Proceeds from trading debt securities		**82**	–
Net increase in restricted bank deposits		**(1,967)**	(2,063)
Increase in time deposits with original maturity over three months		**(4,497)**	(5,800)
Maturity of time deposits with original maturity over three months		**4,033**	5,241
Entrusted loans to a third party		**(1,310)**	–
Repayment of entrusted loan from a third party		**–**	3,000
Net cash used in investing activities		**(61,930)**	(55,255)
Financing activities			
Proceeds from borrowings		**36,099**	4,691
Repayments of borrowings		**(34,534)**	(21,184)
Contributions from non-controlling interests		**3,959**	2,217
Distributions to non-controlling interests		**(4,764)**	(2,742)
Dividend paid to equity shareholders of the Company		**(17,901)**	(14,917)
Contributions from then shareholders in relation to the 2011 Acquisitions and 2012 Acquisitions		**150**	1,055
Distributions to then shareholders in relation to the 2011 Acquisitions and 2012 Acquisitions		**(162)**	(453)
Net cash used in financing activities		**(17,153)**	(31,333)
Net decrease in cash and cash equivalents		**(10,028)**	(15,639)
Cash and cash equivalents, at the beginning of the year		**61,652**	77,302
Effect of foreign exchange rate changes		**3**	(11)
Cash and cash equivalents, at the end of the year		**51,627**	61,652

Notes to the financial information
for the year ended 31 December 2012
(Expressed in Renminbi)

1 Acquisitions

(a) Acquisitions from Shenhua Group in 2012

Pursuant to a resolution passed at the directors' meeting on 1 March 2012, the Company acquired the equity interests of certain entities held directly or indirectly by Shenhua Group, including:

- 50.00% equity interest in Guohua Taicang Power Co., Ltd.;
- 100.00% equity interest in Shenhua International (Hong Kong) Co., Ltd.; and
- 60.00% equity interest in Shenhua Bayannur Energy Co., Ltd.

, collectively referred to as the "2012 Acquisitions".

During the year ended 31 December 2012, the Company has paid RMB2,710 million as consideration for the 2012 Acquisitions.

As the Group and the entities acquired in the 2012 Acquisitions were under common control of Shenhua Group, the above acquisitions are considered as a combination of entities under common control. Accordingly, the assets and liabilities of these acquisitions have been accounted for at historical cost and the consolidated financial statements of the Group prior to these acquisitions have been restated to include the results of operations of these acquisitions on a combined basis. The consideration paid by the Company for these acquisitions has been accounted for as an equity transaction in the consolidated statement of changes in equity.

(b) Acquisitions from Shenhua Group in 2011

Pursuant to a resolution passed at the extraordinary general meeting on 25 February 2011, the Company acquired the equity interests and assets of certain subsidiaries held directly or indirectly by Shenhua Group, including:

- 56.61% equity interest in Shenhua Baorixile Energy Co., Ltd.;
- 80.00% equity interest in Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd.;
- 60.10% equity interest in Hulunbeier Shenhua Clean Coal Co., Ltd.;
- 95.00% equity interest in Shaanxi Jihua Chaijiagou Mining Co., Ltd.;
- 59.29% equity interest in Shenhua Finance Co., Ltd.;
- 100.00% equity interest in Shenhua Material Trading Co., Ltd.;
- 100.00% equity interest in Shenhua Tianhong Trading Co., Ltd.;
- 80.00% equity interest in Shenhua Hollysys Information Technology Co., Ltd.;
- 100.00% equity interest in Shenhua Geological Exploration Co., Ltd.; and
- Major operating assets and related liabilities of Shenhua Group Baotou Mining Co., Ltd.

, collectively referred to as the "2011 Acquisitions".

The Company has paid RMB8,702 million during the year ended 31 December 2011 and RMB1,614 million during the year ended 31 December 2012 as consideration for the 2011 Acquisitions.

(c) Acquisitions from third parties

(i) During the year ended 31 December 2012

During the year ended 31 December 2012, the Group acquired certain subsidiaries from third parties, mainly include:

- Acquisition of 51% equity interest in Shenhua Bashu Power Co., Ltd. ("Bashu Power", formerly Sichuan Bashu Power Development Co., Ltd.) by the cash injection of RMB1,651 million into Bashu Power.

- The Group, by the contribution of cash amounting to RMB1,322 million, and a third party, by the contribution of certain equity interests and assets, established Shenhua Funeng Power Generation Co., Ltd. ("Shenhua Funeng") during 2012. The shareholdings of Shenhua Funeng held by the Group and the minority shareholder are 51% and 49% respectively. As a result, the Group obtained the equity interests of the following entities which were contributed by the minority shareholder of Shenhua Funeng:

  – 51% equity interest in Fujian Jinjiang Thermal Power Co., Ltd.
  – 64% equity interest in Fujian Province Longyan Power Generation Co., Ltd.
  – 75% equity interest in Fujian Province Yanshi Power Generation Co., Ltd.

, collectively referred to as the "Entities Acquired in 2012".

Details of fair values of identifiable assets and liabilities of Entities Acquired in 2012 as at the respective date of acquisitions were as follows:

	RMB million
Consideration	**2,411**
Non-current assets	**8,316**
Cash and cash equivalents	**2,166**
Other current assets	**1,330**
Current liabilities	**(4,045)**
Non-current liabilities	**(4,114)**
Net assets	**3,653**
Non-controlling interests	**(1,579)**
	2,074
Goodwill recognised	**337**

(ii) During the year ended 31 December 2011

During the year, the Group obtained control of Guohua Mengjing Power Generation Co., Ltd. ("Guohua Mengjing") by acquiring 51% equity interest in Guohua Mengjing at a cash consideration of RMB950 million. In addition, the Group, through a 51% owned subsidiary, obtained control of Anhui Anqing Wanjiang Power Generation Co., Ltd. ("Anqing Wanjiang"), Anhui Chizhou Jiuhua Power Generation Co., Ltd. ("Chizhou Jiuhua") and Anhui Ma'anshan Wan'nengda Power Generation Co., Ltd. ("Ma'anshan Wan'nengda") by acquiring entire equity interests in Anqing Wanjiang, Chizhou Jiuhua and Ma'anshan Wan'nengda at a total cash consideration of RMB1,726 million, of which RMB867 million was paid in December 2011. Guohua Mengjing, Anqing Wanjiang, Chizhou Jiuhua and Ma'anshan Wan'nengda are collectively referred to as the "Entities Acquired in 2011".

Details of fair values of identifiable assets and liabilities of Entities Acquired in 2011 as at the respective date of acquisitions were as follows:

	RMB million
Consideration	2,676
Non-current assets	11,747
Cash and cash equivalents	151
Other current assets	1,553
Current liabilities	(5,044)
Non-current liabilities	(5,436)
Net assets	2,971
Non-controlling interests	(909)
	2,062
Goodwill recognised	614

2 Changes in accounting policies

The International Accounting Standards Board ("IASB") has issued several amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. None of these developments are relevant to the Group's and the Company's financial statements. The Group and the Company have not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period.

3 Revenues

The Group is principally engaged in the production and sale of coal, generation and sale of power and the provision of transportation services in the PRC. Revenues represent the aggregate of the invoiced value of goods sold and services provided, net of sales taxes.

4 Total operating expenses

	2012 *RMB million*	*2011* *RMB million* (restated- Note 1(a))
Personnel expenses, including	**16,768**	14,217
– contributions to retirement plans	**2,105**	1,595
– fair value gain on revaluation of share appreciation rights	**(1)**	(70)
Depreciation and amortisation	**18,150**	15,825
Net loss on disposal of property, plant and equipment	**194**	167
Cost of inventories	**146,150**	112,567
Auditors' remuneration, including		
– audit services	**28**	27
– other services	**1**	2
Operating lease charges on properties	**506**	467
Allowance for accounts receivable, other receivables and other non-current assets and write down of inventories	**47**	27
Impairment losses on property, plant and equipment	**23**	–
Impairment losses on other long-term equity investments	**43**	138
Donation	**115**	625

5 Finance income/(expenses)

	2012 *RMB million*	*2011* *RMB million* (restated- Note 1(a))
Interest income	**750**	978
Foreign exchange gain, net	**508**	–
Gain on remeasurement of derivative financial instruments and trading debt securities	**–**	114
Finance income	**1,258**	1,092
Interest on loans from banks and other financial institutions, and other borrowings	**(3,727)**	(3,564)
Less: Interest expense capitalised	**412**	352
Net interest expense	**(3,315)**	(3,212)
Foreign exchange loss, net	**–**	(84)
Loss on remeasurement of derivative financial instruments and trading debt securities	**(14)**	–
Finance expenses	**(3,329)**	(3,296)
Net finance costs	**(2,071)**	(2,204)

6 Income tax

	2012	*2011*
	RMB million	*RMB million*
		(restated-Note 1(a))
Provision for PRC income tax	**11,435**	15,197
Deferred taxation	**(470)**	(1,156)
	10,965	14,041

The provision for PRC current income tax is based on a statutory rate of 25% (2011: 25%) of the assessable profit of the entities comprising the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain branches and subsidiaries of the Group, which are taxed at preferential rates.

Pursuant to the grandfathering arrangement under the Corporate Income Tax Law of the PRC and the relevant documents issued by the state tax bureau of the PRC, the Group's branches and subsidiaries with operations in the western developing region of the PRC were entitled to preferential tax rate of 15% until 2010. In accordance with the relevant documents issued by the state and local tax bureau of the PRC in 2011 and 2012, certain of the Group's branches and subsidiaries operating in the western developing region of the PRC previously granted the preferential tax rate of 15% continue to enjoy such preferential tax from 2011 to 2020. The Group's other subsidiaries which are entitled to preferential tax rates would be subject to a transitional tax rate beginning in year 2008. The transitional tax rates are 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 and after, respectively.

The applicable tax rates of the Group's overseas subsidiaries are as follows:

Shenhua Australia Holding Pty Ltd.	30%
Shenhua Watermark Coal Pty Ltd.	30%
PT GH EMM Indonesia	25%
Limited liability Company "OGOJIN ENERGY COMPANY"	20%
Limited liability Company "SHENHUA MAGADAN ENERGY COMPANY"	20%
Shenhua International (Hong Kong) Co., Ltd.	16.5%

7 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2012 ***RMB million***	*2011* *RMB million*
Final dividend proposed after the end of the reporting period of RMB0.96 (2011: RMB0.90) per ordinary share	**19,094**	17,901

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2012 ***RMB million***	*2011* *RMB million*
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.90 (2011: RMB0.75) per ordinary share	**17,901**	14,917

8 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB48,858 million (2011: RMB45,846 million as restated) and the number of shares in issue during the year of 19,890 million shares (2011: 19,890 million shares).

The amount of diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares in existence during both the current and prior years.

9 Accounts and bills receivable, net

Credit of up to 45 days is granted to customers with established trading history, otherwise sales on cash terms are required.

The following is the ageing analysis of accounts and bills receivable, based on the invoice date and net of allowance for doubtful debts:

	2012	*2011*
	RMB million	*RMB million*
		(restated- Note 1(a))
Within one year	**19,918**	13,527
One to two years	**49**	37
Two to three years	**19**	54
Over three years	**42**	–
	20,028	13,618

10 Accounts and bills payable

At 31 December 2012, accounts payable of the Group amounting to RMB74 million (2011: RMB56 million as restated) are expected to be settled after one year.

11 Segment information

(a) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment based on profit before income tax ("reportable segment profit").

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2012 and 2011 is set out below.

	Coal		Power		Railway		Port		Shipping		Total	
	2012 RMB million	2011 RMB million	**2012 RMB million**	2011 RMB million	**2012 RMB million**	2011 RMB million	**2012 RMB million**	2011 RMB million	**2012 RMB million**	2011 RMB million	**2012 RMB million**	2011 RMB million
		(restated-Note 1(a))		(restated-Note 1(a))		(restated-Note 1(a))		(restated-Note 1(a))		(restated-Note 1(a))		(restated-Note 1(a))
Revenue from external customers	**171,964**	140,884	**71,776**	61,724	**3,060**	2,745	**124**	147	**2,609**	2,961	**249,533**	208,461
Inter-segment revenue	**34,851**	31,596	**487**	399	**21,946**	20,181	**2,918**	2,673	**1,711**	2,138	**61,913**	56,987
Reportable segment revenue	**206,815**	172,480	**72,263**	62,123	**25,006**	22,926	**3,042**	2,820	**4,320**	5,099	**311,446**	265,448
Reportable segment profit before income tax	**45,000**	46,593	**10,837**	8,329	**10,427**	9,626	**703**	520	**666**	670	**67,633**	65,738
Including:												
Net interest expense	**(484)**	(504)	**(2,557)**	(2,392)	**(314)**	(345)	**(173)**	(231)	**(22)**	(22)	**(3,550)**	(3,494)
Depreciation and amortisation	**(7,017)**	(6,486)	**(7,987)**	(6,414)	**(2,293)**	(2,108)	**(685)**	(676)	**(95)**	(85)	**(18,077)**	(15,769)
Share of profits less losses of associates	**235**	199	**208**	114	**–**	–	**7**	6	**–**	–	**450**	319

(b) Reconciliations of reportable segment revenues and profit or loss

	2012 RMB million	*2011 RMB million*
		(restated-Note 1(a))
Revenues		
Reportable segment revenue	**311,446**	265,448
Elimination of inter-segment revenue	**(61,913)**	(56,987)
Unallocated head office and corporate items	**727**	764
Consolidated revenues	**250,260**	209,225
Profit		
Reportable segment profit	**67,633**	65,738
Elimination of inter-segment profits	**(419)**	(298)
Unallocated head office and corporate items	**797**	1,409
Consolidated profit before income tax	**68,011**	66,849

(c) Geographical information

The following table sets out information about geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, construction in progress, intangible assets, interest in associates, other long-term equity investments, other non-current assets and lease prepayments ("specified non-current assets").

	Revenues from external customers		***Specified non-current assets***	
	2012	*2011*	***2012***	*2011*
	RMB million	*RMB million*	***RMB million***	*RMB million*
		(restated-Note 1(a))		(restated-Note 1(a))
Asia Pacific markets				
– PRC (place of domicile)	**247,805**	205,719	**338,542**	291,228
– Other Asia Pacific markets	**2,455**	3,506	**6,359**	5,820
	250,260	209,225	**344,901**	297,048

12 Subsequent events

The following significant transactions took place subsequent to 31 December 2012:

On 22 March 2013, the Board of Directors proposed a final dividend of RMB0.96 per ordinary share totalling RMB19,094 million to the equity shareholders of the Company.

13 Comparative figures

Certain comparative figures have been adjusted as a result of the 2012 Acquisitions. Further details are disclosed in Note 1(a).

CHAIRMAN'S STATEMENT

The Board is delighted to present the 2012 annual report of China Shenhua and report to all shareholders on the Company's performance for the year.

The domestic and overseas macro-economy and changes in supply and demand of coal industry since the second quarter of 2012 significantly pulled down the coal price. In response to the severe situation of the coal industry, China Shenhua focused on the optimal allocation of its resources under the guidance of its development strategy, striving hard for excellence amidst the challenging business environment. By fully capitalising on its integrated competitive edge, the Company effectively withstood risks and achieved encouraging operating results despite the negative trend in the performance of the industry in general.

As at 31 December 2012, the market capitalisation of China Shenhua reached USD81.39 billion, ranking the first among all listed coal companies worldwide and the fourth among all listed integrated mining companies worldwide.

Strategic operating layout enables Coal, Power & Transportation businesses to grow against headwind

Faced with the tough conditions of sluggish demand for coal, high level of inventory and the decline in coal price since the second quarter of 2012, the Company took proactive measures to stabilise the results of coal business and achieved growth in the power generation and transportation businesses. By overcoming adversity, the Company realized growth in operating results.

- The production volume of commercial coal reached 304.0 million tonnes and the sales volume reached 464.6 million tonnes, representing a year-on-year growth of 7.8% and 19.9% respectively.

- The total power output dispatch reached 193.46 billion kwh, representing a year-on-year increase of 10.2%; the total installed capacity of power generators reached 41,798 MW, representing a growth of 8.8% as compared with the end of last year (restated).

- The transportation turnover of self-owned railway was 176.2 billion tonne km, representing a year-on-year increase of 8.6%; the seaborne coal sales volume reached 262.2 million tonnes, representing a year-on-year increase of 24.8%; shipping volume reached 97.7 million tonnes, representing a year-on-year increase of 21.2%.

- Revenues amounted to RMB250.260 billion, representing a year-on-year increase of 19.6%.

- Profit attributable to equity shareholders of the Company for the year was RMB48.858 billion, representing a year-on-year increase of 6.6%.

- Basic earnings per share were RMB2.456, representing a year-on-year increase of 6.6%.

- Net cash generated from operating activities was RMB69.055 billion, representing a year-on-year decrease of 2.7%.

- The Board recommends payment of a final dividend for 2012 of RMB0.96 per share (inclusive of tax) with a total amount of approximately RMB19.094 billion (inclusive of tax), which accounts for 40.1% of net profit attributable to equity shareholders of the Company under the PRC Accounting Standards for Business Enterprises. The accumulative amount of dividends distributed by the Company (inclusive of the final dividend for 2012) has exceeded the aggregate proceeds which was collected from issue of both H Shares and A Shares of the Company.

Remarkable Results Achieved by Collaborative Operation and Optimising Integrated Competitive Edge

Faced with drastic changes in the coal market, by fully capitalising on various advantages including integrated operation, resource sharing, in- depth cooperation and low cost operation under the principle of maximising overall interests. With sales growth as the main overarching goal, the Company strengthened coordination among coal, transportation and power segments as well as the connection among production, transportation and sales, and improved allocation capability and protective function of coal resources. As a result, the Company achieved effective risk hedging, mutually complementary and coordinated development among these segments, and the balance and stability in the overall operation.

The coal segment continued to strengthen the management of safety production while upholding the principle of profit maximisation to organize production and prioritise production and outbound transportation of seaborne coal. In addition, the Company exercised appropriate control over the output of coal with low calorific value by strengthening the management of coal quality.

The Company’s timely adjustment of its coal sales strategy to optimize market layout, secure sales volume of self-produced coal with high added value, as well as step up its efforts on sales in northern and eastern China, with timely adjustment to the price of coal purchased from third parties, the portfolio of coal sources and control on coal sources was further strengthened.

Through the effective measures taken by the Company, the production and sales targets of the coal segment set for the year was accomplished, which expanded the market share of the Company and realised a steady growth in operating revenue and the level of earnings.

The power segment fully leveraged on its roles as “stabilizer” and “economic growth pole“ and boosted the unloading coal volume and coal consumption of China Shenhua, and thus alleviated the adverse impact brought about by decreasing external demand on coordinated production. The Company also proactively responded to various adverse factors such as high output of hydropower and weak demand for thermal power by strengthening operational management, consistently implementing the sales strategy to maximise power output, thus ensuring the steady operation of the business and achieving improvement in both scale and efficiency in the power segment.

The transportation segment allocated transportation capacity to the businesses with highest profitability by taking full advantage of transportation system, making reasonable arrangement for outbound transportation and seaborne coal transportation, commissioning additional trains with 10,000 tonnes loading capacity and improving the transportation network. In addition, the Company continuously improved the overall transportation efficiency and capacity of the railway, port and shipping segment and eliminated bottleneck in transportation to keep expanding the coverage of transportation, with a view to facilitating the exploration of coal market and import business.

Strived to Lay a Solid Foundation and Tap into Development Potentials to Implement Sustainable Development Strategy

In order to achieve sustainable development, the Company increased its capital expenditures to vigorously carry out key work including project construction, strategic cooperation and assets acquisition.

The Company accelerated the construction of key railway and seaborne channels for coal transportation, including Zhunchi Railway and Bazhun Railway, pushed forward the preliminary work of Watermark Coal Project in Australia and Xinjie Project as scheduled, and facilitated the approval process in respect of a number of projects relating to power plants and ports (such as Chongqing Wanzhou Power Plant). The smooth progress of key projects has laid a solid foundation for the mid-to-long term development of the Company.

Through joint development, mergers and acquisition, the Company continuously carried out strategic cooperation with various provinces and cities along coasts and rivers as well as in the central region, secured high-end power sources and promoted the construction of coal storage bases, leading to significant expansion of business development. As a result of such strategic cooperation, the operating results of the acquired assets have been improving, reflecting remarkable achievements of strategic cooperation between its coal and power operating entities. Furthermore, the Company also carried out overseas projects in a proactive and prudent manner.

The Company completed three equity acquisitions and one asset acquisition from its controlling shareholders including Taicang Power. etc, and began its new round of acquisitions of assets from its controlling shareholders.

In addition, the Company continuously boosted comprehensive resource utilisation projects such as extraction of dioxide aluminium from coal ash and upgrade of lignite. The Company won the bidding in the transferred project in relation to the exploration right of shale gas block located in Baojing, Hunan Province, which marked a good beginning of development of new businesses.

Strengthened Fundamental Management and created a favourable development environment

In response to the drastic changes in the coal market, the Company, by strengthening budget control, cost control, capital management and reducing non-production expenses, managed to control the percentage of selling, general and administrative expenses to operating revenue at 5.2%, slight decrease as compared with 5.3% in 2011.

Focusing on management improvement, the Company embraced world-class standards, refined its management platform, pushed ahead streamlining business process and promoting structure upgrading in an orderly manner.

By preliminarily establishing its ERP system platform with application of information technology, the Company was equipped with a resource integration and allocation system comprising capital flow, material flow, information flow and value stream. Thereby, the rapid reaction capability and adaptation capability in response to the changing market sentiments can be enhanced.

With a view to further improving risk control, the Company continued to enhance internal control by establishing a comprehensive system and a better assessment mechanism.

During the reporting period, the Company attached great importance to corporate social responsibility work, further enhancing the management standard of five-model enterprise that features "intrinsic safety, quality and efficiency, technological innovation, resource conservation and harmonious development" to promote common development of all parties concerned. For more information, please refer to 2012 CSR Report of the Company.

2013: Striving to Create More Value for Shareholders under Strategic Guidance

In 2013, the Company will take new steps to build China Shenhua into a world-class coal-based integrated energy enterprise by further expanding the room for business development, optimising its business layout, stepping up its efforts in innovation, improving its value generating capability, competitiveness and risk resistance capacity, fulfilling the social responsibilities under the guidance of a world first-class development strategy and the focus on sustainable development. China Shenhua will focus on the following major endeavors:

- **To continuously refine the integrated business model.** Adhering to the principle of "maximising the efficiency", the Company will optimise the coordination of all business segments under the integrated operation model, with a view to promoting specialisation, collaborative and collective operation as well as micro management.

  In addition, the Company will strengthen the construction of coal production base and coal storage base, promote strategic cooperation and asset acquisitions, as well as absorb the external resources and establish the mega-coal-sources system by the use of Shenhua logistics system. While making appropriate adjustments to sales structure, sales direction and pricing mechanism, the Company will also refine the distribution of power-related projects, capitalise on the development opportunity in power segment and continue its effort in enhancing the shipping efficiency by pushing ahead the construction of railway network connecting the mines so as to improve the operational efficiency and operating results of the industrial chain in all aspects.

- **To boost production and construction in a safe and efficient manner.** Adhering to its innovative philosophy of "achieving zero injury in mine operation", the Company will constantly improve its intrinsic-safety management system, make rational production plans and construction schedules for key projects and enhance business productivity and potentials on a systematic basis, so as to ensure smooth and continuous operation and sustainable development.

- **To further strengthen budget management and maintain effective cost control.** The Company will exercise strict control over costs and expenditures as well as seek to improve management effectiveness by reducing non-production expenses in a comprehensive manner and emphasise the guiding role played by budget management in business operation, with a view to proactively preventing risks and consolidate its advantages in cost effective operation.

Looking into 2013, the management and all employees of China Shenhua will strive to promote sustainable and healthy development of the cause of Shenhua in a confident and diligent manner, and create more value for shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of the Company's Operating Results

<u>Business Data Master Table</u>

		2012	2011 (Restated)	Percentage change %
Commercial coal production	(million tonnes)	**304.0**	281.9	7.8
Coal sales	(million tonnes)	**464.6**	387.5	19.9
Of which: Export	(million tonnes)	**3.3**	5.6	(41.1)
Import	(million tonnes)	**10.7**	–	N/A
Turnover of self-owned railway transportation	(billion tonne km)	**176.2**	162.3	8.6
Seaborne coal	(million tonnes)	**262.2**	210.1	24.8
At Huanghua Port	(million tonnes)	**95.6**	83.6	14.4
At Shenhua Tianjin	(million tonnes)	**28.8**	24.2	19.0
Shipping volume	(million tonnes)	**97.7**	80.6	21.2
Shipment turnover	(billion tonne nm)	**82.5**	71.5	15.4
Gross power generation	(billion kwh)	**207.90**	188.35	10.4
Total power output dispatch	(billion kwh)	**193.46**	175.61	10.2

Breakdown of Commercial Coal Production

	2012 *million tonnes*	2011 (Restated) *million tonnes*	Percentage change %
Shendong Coal Group	**164.8**	155.4	6.0
Bulianta	**25.1**	25.0	0.4
Daliuta-Huojitu	**29.4**	23.3	26.2
Yujialiang	**17.0**	16.8	1.2
Shangwan	**14.3**	13.9	2.9
Halagou	**13.9**	13.0	6.9
Baode (Kangjiatan)	**9.0**	10.1	(10.9)
Shigetai	**10.1**	11.2	(9.8)
Wulanmulun	**6.9**	6.6	4.5
Bu'ertai	**14.1**	10.5	34.3
Wanli No.1 mine (Changhangou)	**11.1**	11.5	(3.5)
Liuta mine	**4.9**	6.0	(18.3)
Cuncaota No. 1 mine	**4.1**	3.6	13.9
Cuncaota No. 2 mine	**3.8**	3.3	15.2
Others	**1.1**	0.6	83.3
Zhunge'er Energy Company	**30.3**	29.2	3.8
Heidaigou	**30.3**	29.2	3.8
Ha'erwusu Branch	**28.1**	25.1	12.0
Beidian Shengli Energy	**24.9**	24.4	2.0
Jinjie Energy	**18.6**	17.1	8.8
Shenbao Energy Company	**30.3**	26.2	15.6
Baotou Energy Company	**4.0**	3.0	33.3
Shuiquan Open-cut Mine	**2.0**	1.8	11.1
Adaohai Mine	**0.7**	0.8	(12.5)
Lijiahao Mine	**1.3**	0.4	225.0
Chaijiagou Mining	**1.0**	1.0	–
EMM Indonesia	**2.0**	0.5	300.0
Total production	**304.0**	281.9	7.8
By Regions			
Inner Mongolia	**203.0**	188.9	7.5
Shaanxi	**90.0**	82.4	9.2
Shanxi	**9.0**	10.1	(10.9)
Overseas	**2.0**	0.5	300.0

Breakdown of Coal Sales

		2012 *million tonnes*	Proportion of domestic sales %	2011 (Restated) *million tonnes*	Percentage change %
Domestic sales		**460.8**	100.0	381.9	20.7
By contract type	Long-term contract	**180.2**	39.1	171.7	5.0
	Spot market sales	**280.6**	60.9	210.2	33.5
By transportation mode	Mine mouth	**49.6**	10.8	52.0	(4.6)
	Direct arrival (along railway)	**152.4**	33.0	125.4	21.5
	Seaborne	**258.8**	56.2	204.5	26.6
By customers	External customers	**377.8**	82.0	304.9	23.9
	Power segment of the Group	**83.0**	18.0	77.0	7.8
By region	Northern China	**226.9**	49.2	198.9	14.1
	Eastern China	**175.3**	38.1	129.6	35.3
	Central China and Southern China	**48.1**	10.4	47.0	2.3
	Northeast China	**6.0**	1.3	3.5	71.4
	Others	**4.5**	1.0	2.9	55.2
By usage	Thermal coal	**355.9**	77.2	311.2	14.4
	Metallurgy	**8.9**	1.9	7.1	25.4
	Chemical (including coal slurry)	**23.4**	5.1	17.7	32.2
	Others	**72.6**	15.8	45.9	58.2

		2012 *million tonnes*	Proportion of export and other sales %	2011 (Restated) *million tonnes*	Percentage change %
Export and other Sales		**3.8**	100.0	5.6	(32.1)
	South Korea	**1.1**	28.9	1.9	(42.1)
	China Taiwan	**0.5**	13.2	1.2	(58.3)
	Japan	**1.7**	44.7	2.5	(32.0)
	Others	**0.5**	13.2	–	N/A
Total coal sales		**464.6**		387.5	19.9

Breakdown of Railway Turnover

	2012 *billion tonne km*	2011 (Restated) *billion tonne km*	Percentage change %
Self-owned railways	**176.2**	162.3	8.6
Shenshuo Railway	**42.9**	39.8	7.8
Shuohuang-Huangwan Railway	**106.4**	96.4	10.4
Dazhun Railway	**18.2**	17.5	4.0
Baoshen Railway	**8.7**	8.6	1.2
State-owned railways	**50.0**	49.8	0.4
Total railway turnover	**226.2**	212.1	6.6

Breakdown of Seaborne Coal in Ports

	2012 *million tonnes*	2011 (Restated) *million tonnes*	Percentage *change* %
Self-owned ports	**124.4**	107.8	15.4
Huanghua Port	**95.6**	83.6	14.4
Shenhua Tianjin Coal Dock	**28.8**	24.2	19.0
Third-party ports	**137.8**	102.3	34.7
Total seaborne coal	**262.2**	210.1	24.8

Breakdown of Shipping Volume

	2012 *million tonnes*	2011 (Restated) *million tonnes*	Percentage change %
Shenhua Zhonghai Shipping Company			
The Group's internal customers	**42.2**	34.4	22.7
External customers	**55.5**	46.2	20.1
Total of shipping volume	**97.7**	80.6	21.2

Breakdown of Power Generation Business

Power plants	Regional grid	Location	Gross power generation	Total power output dispatch	Average utilisation hours	Standard coal consumption rate for power output dispatch	Power tariff	Total installed capacity as at 31 December 2011 (Restated)	Increase/ (decrease) in installed capacity for 2012	Total installed capacity as at 31 December 2012	Equity installed capacity as at 31 December 2012
			100 million kwh	*100 million kwh*	*hours*	*g/kwh*	*RMB/mwh*	*MW*	*MW*	*MW*	*MW*
Cangdong Power	North China Power Grid	Hebei	154.4	146.8	6,128	312	355	2,520	–	2,520	1,285
Sanhe Power	North China Power Grid	Hebei	74.1	68.8	5,700	312	372	1,300	–	1,300	715
Dingzhou Power	North China Power Grid	Hebei	149.1	138.1	5,918	322	345	2,520	–	2,520	1,021
Panshan Power	North China Power Grid	Tianjin	60.9	56.9	5,914	328	393	1,030	–	1,030	469
Zhunge'er Power	North China Power Grid	Inner Mongolia	44.0	39.3	4,409	372	248	1,060	(100)	960	556
Shendong Power	Northwest /North China/ Shaanxi Provincial Local Power Grid	Inner Mongolia	175.9	157.9	4,986	365	268	3,467	700	4,167	3,657
Guohua Zhunge'er	North China Power Grid	Inner Mongolia	66.0	59.9	5,004	318	265	1,320	–	1,320	858
Guohua Hulunbeier Power	Northeast Power Grid	Inner Mongolia	46.6	41.8	3,887	336	294	1,200	–	1,200	960
Beijing Thermal	North China Power Grid	Beijing	23.4	20.7	5,860	274	430	400	–	400	280
Suizhong Power	Northeast Power Grid	Liaoning	165.1	154.6	4,585	321	347	3,600	–	3,600	1,800
Zheneng Power	East China Power Grid	Zhejiang	260.4	247.8	5,919	303	418	4,400	–	4,400	2,640
Taicang Power	East China Power Grid	Jiangsu	82.7	78.8	6,563	306	370	1,260	–	1,260	630
Jinjie Energy	North China Power Grid	Shaanxi	157.3	144.6	6,553	330	303	2,400	–	2,400	1,680
Shenmu Power	Northwest Power Grid	Shaanxi	13.7	12.2	6,215	379	343	220	–	220	112
Taishan Power	South China Power Grid	Guangdong	219.9	206.6	4,398	315	438	5,000	–	5,000	4,000
Huizhou Thermal	South China Power Grid	Guangdong	40.9	37.3	6,193	330	452	660	–	660	660
Mengjin Power	Central China Power Grid	Henan	65.4	61.3	5,446	322	375	1,200	–	1,200	612
Chenjiagang Power	East China Power Grid	Jiangsu	59.6	56.1	4,513	302	358	1,320	–	1,320	726
Shenwan Energy	East China Power Grid	Anhui	144.4	136.1	5,592	330	372	2,440	160	2,600	1,326
Bashu Power	Sichuan Power Grid	Sichuan	31.9	28.9	2,533	341	396	–	1,260	1,260	603
Fujian Energy	East China Power Grid	Fujian	–	–	–	–	–	–	1,240	1,240	481
EMM Indonesia	PLN (Perusahaan Listrik Negara)	Indonesia	17.0	14.9	5,677	412	374	300	–	300	210
Total for coal-fired power plants/Weighted average			**2,052.7**	**1,909.4**	**5,261**	**323**	**361**	**37,617**	**3,260**	**40,877**	**25,281**
Other power plants											
Zhuhai Wind	South China Power Grid	Guangdong	0.4	0.4	2,237	–	595	16	–	16	12
Yuyao Power	East China Power Grid	Zhejiang	21.6	20.7	2,765	249	636	780	–	780	624
Bashu Power	Sichuan Power Grid	Sichuan	4.3	4.1	3,405	–	227	–	125	125	47

Breakdown of Coal Resources/Reserve

Mines	Recoverable coal reserve (under PRC standard)			Marketable coal reserve (under JORC standard)			Coal resources		
	As at 31 December 2012 *100 million tonnes*	As at 31 December 2011 *100 million tonnes*	Percentage change %	**As at 31 December 2012** *100 million tonnes*	As at 31 December 2011 *100 million tonnes*	Percentage change %	**As at 31 December 2012** *100 million tonnes*	As at 31 December 2011 *100 million tonnes*	Percentage change %
Shendong Mines	**81.14**	83.06	(2.3)	**44.52**	46.54	(4.3)	**155.65**	158.13	(1.6)
Zhunge'er Mines	**35.22**	34.77	1.3	**21.24**	21.83	(2.7)	**42.57**	43.13	(1.3)
Shengli Mines	**14.22**	14.48	(1.8)	**7.78**	8.03	(3.1)	**20.39**	20.65	(1.3)
Baorixile Mines	**13.21**	13.36	(1.1)	**13.62**	13.93	(2.2)	**15.26**	15.51	(1.6)
Baotou Mines and others	**7.44**	6.87	8.3	**3.26**	3.13	4.2	**17.55**	16.58	5.9
Total of China Shenhua	**151.23**	152.54	(0.9)	**90.42**	93.46	(3.3)	**251.42**	254.00	(1.0)

Summary of operation in 2012

Responding to the pressures in 2012 including weak domestic coal demand, coal price plunge, slowdown of power demand growth and rigid increases in production and operation costs, the management of China Shenhua adhered to the guidance of strategy, drawing upon its strength of integrated synergy, focusing on coordination of transportation capacity, market development and refining of sales strategy while ensuring high efficiency and production safety of mines, and thus achieved smooth production, transportation and sales operations. The Company also accelerated the application and construction of the projects for new power business as well as railway, port and coal storage bases to lay a solid foundation for its sustainable growth in the future.

Production and operation reach new heights

In 2012, the Company proactively aligned itself with the changing market to organize coal production in a scientific manner, achieving growth both in production volume and quality. The Company's commercial coal production volume reached 304.0 million tonnes (2011: 281.9 million tonnes (restated)), representing a year-on-year increase of 7.8% and completing 104.9% of the annual target. Coal sales volume reached 464.6 million tonnes (2011: 387.5 million tonnes (restated)), representing a year-on-year increase of 19.9% and completing 113.2% of the annual target, of which sales of coal purchased from third parties reached 157.8 million tonnes (2011: 105.2 million tonnes (restated)), representing a year-on-year increase of 50.0%. The Company's total power output dispatch was 193.46 billion kwh (2011: 175.61 billion kwh (restated)), representing a year-on-year increase of 10.2% and completing 96.9% of the annual target, which was mainly attributable to the slower growth paces of energy demand, as evidenced by the drop in the growth of power demand in China especially in industrial demand, as a result of the slowdown of domestic economic momentum. Through capacity expansion and optimization of transportation organization, the Company achieved stable growth of transportation throughput capability and turnover volume, with transportation turnover of self-owned railway reaching 176.2 billion tonne km (2011: 162.3 billion tonne km (restated)), representing a year-on-year increase of 8.6%; seaborne coal sales volume reached 262.2 million tonnes (2011: 210.1 million tonnes (restated)), representing a year-on-year increase of 24.8%; and shipment turnover reached 82.5 billion tonne nm (2011: 71.5 billion tonne nm (restated)), representing a year-on-year increase of 15.4%.

Continuously improving business performance

To address the challenging market conditions and to circumvent the adverse impact from declining coal price, the Company further strengthened its micro - management by taking various refined management measures including output expansion, quality improvement, productive consumption cuts, enhanced capital management and stringent control over administrative expenses, and thus notable effect was achieved.

In accordance with the International Financial Reporting Standards, the Group' revenue for 2012 was RMB250.260 billion (2011: RMB209.225 billion (restated)), representing a year-on-year increase of 19.6%. Profit attributable to equity shareholders of the Company was RMB48.858 billion (2011: RMB45.846 billion (restated)), representing a year-on-year increase of 6.6%. Basic earnings per share was RMB2.456 (2011: RMB2.305 (restated)), representing a year-on-year increase of 6.6%.

As at 31 December 2012, the equity attributable to equity shareholders of the Group per share was RMB12.90, representing an increase of 12.4% from RMB11.47 (restated) as at 31 December 2011. As at 31 December 2012, the Group's return on total assets was 12.5%. Return on net assets for 2012 was 19.0% (2011: 20.1% (restated)), representing a year-on-year decrease of 1.1 percentage points. EBITDA was RMB87.754 billion (2011: RMB84.531 billion (restated)), representing a year-on-year increase of 3.8%. As at 31 December 2012, the Group's total debt to equity ratio was 18.2%, representing a decrease of 0.6 percentage point as compared to 18.8% (restated) as at 31 December 2011.

Review on Consolidated Operating Results

1. *Consolidated operating results*

(1) *Items of consolidated statement of comprehensive income*

No.	Item	**2012** *RMB million*	2011 (restated) *RMB million*	Percentage change %	**Reasons for changes**
1	Revenues	**250,260**	209,225	19.6	Mainly attributable to the increases in coal sales volume and power output dispatch as well as higher power tariffs; and a year-on-year decrease in the Company's coal export to Asia Pacific market due to the decreased coal demand and price in Asia Pacific region
	Of which: Domestic market	**247,805**	205,719	20.5	
	Other Asia Pacific markets	**2,455**	3,506	(30.0)	
2	Cost of revenues	**167,754**	128,638	30.4	Mainly attributable to the increased production costs due to the increases in self-produced coal output and power generation, and the increased volume of coal purchased from third parties
3	Selling, general and administrative expenses	**12,950**	11,056	17.1	Mainly attributable to the increase in relevant expenses from business scale expansion
4	Other operating income/(expenses), net	**48**	(825)	(105.8)	Mainly attributable to a year-on-year increase in tax refund received in the period and a year-on-year decrease in donation expenses in the period
5	Share of profits less losses of associates	**477**	346	37.9	Mainly attributable to the increase in profit from investment in coal and power related associates
6	Income tax	**10,965**	14,041	(21.9)	Mainly as a result of the gradual implementation of the preferential tax policies for the Grand Development of the Western Region, certain subsidiaries of the Group adjusted the tax payable for 2011 and accordingly the carrying amounts of deferred tax assets and liabilities during the reporting period. The Group's average income tax rate for 2012 was 16.1%, representing a decrease of 4.9 percentage points from 21.0% (restated) for the same period last year.

(2) *Research and development expenditure*

		2012	2011 (restated)	Changes
Expensed research and development expenditure in the period	RMB million	**420**	239	75.7%
Capitalized research and development expenditure in the period	RMB million	**335**	–	N/A
Total research and development expenditure	RMB million	**755**	239	215.9%
Percentage of total research and development expenditure to net assets	%	**0.25**	0.09	Increased by 0.16 percentage point
Percentage of total research and development expenditure to revenues	%	**0.30**	0.11	Increased by 0.19 percentage point

The Group's total research and development expenditure for 2012 was RMB755 million, representing a year-on-year increase of 215.9% which was mainly related to the researches on high efficiency and safety production technologies for mines and complete technologies on heavy-haul railways, as well as comprehensive use of coal ash after combustion. The increase in research and development expenditure is in line with the Group's strategic guideline of leveraging on technological advancement to secure safe and efficient production, which is positive for the Group to enhance its core competitiveness and sustainability.

(3) *Major customers and suppliers*

Top five customers

		2012	
No.	**Name of customer**	**Revenues** *RMB million*	Percentage to revenues %
1	Guangdong Power Grid Corporation	**10,758**	4.3
2	Zhejiang Electric Power Corporation	**10,361**	4.1
3	Hebei Electric Power Corporation	**9,054**	3.6
4	Guangdong Electric Power Industry Fuel Company Limited	**5,921**	2.4
5	Liaoning Electric Power Company Limited	**5,366**	2.2
	Total	**41,460**	16.6

For the year ended 31 December 2012, the total purchases from the top five suppliers of the Company amounted to RMB24.311 billion, accounting for 15.2% of the total purchases for the year. The purchases from the largest supplier were RMB9.397 billion, accounting for 5.9% of the total procurement for the year.

2. *Consolidated assets and liabilities*

(1) *Items of consolidated statement of financial position*

		As at 31 December 2012		As at 31 December 2011 (restated)			
No.	**Item**	**Amount**	**Percentage to total assets**	Amount	Percentage to total assets	**Percentage change in amount**	**Reasons for changes**
		RMB million	%	*RMB million*	%	%	
1	Property, plant and equipment, net	**236,048**	**51.6**	223,329	54.9	5.7	Mainly attributable to the increase in machinery, equipment, railway and port structures of newly acquired enterprises and those related to mine shaft assets
2	Construction in progress	**61,142**	**13.4**	34,384	8.5	77.8	Mainly attributable to the increased investments in construction of new railways, port capacity expansion, power plants and mines
3	Interest in associates	**4,689**	**1.0**	3,992	1.0	17.5	Mainly attributable to the increase in equity interest held by newly acquired enterprises in associates, and increase in equity interest investment arising from the Company's investment in electricity operation
4	Other non-current assets	**24,614**	**5.4**	18,915	4.7	30.1	Mainly attributable to the increase in prepaid preliminary expenses for mines
5	Inventories	**15,171**	**3.3**	12,939	3.2	17.3	Mainly attributable to the increase in ancillary materials and equipment associated with coal and power operations
6	Accounts and bills receivable, net	**20,028**	**4.4**	13,618	3.4	47.1	Mainly attributable to the increase in receivables from coal sale and power output dispatch as a result of increased revenues

No.	Item	As at 31 December 2012 Amount RMB million	Percentage to total assets %	As at 31 December 2011 (restated) Amount RMB million	Percentage to total assets %	Percentage change in amount %	Reasons for changes
7	Prepaid expenses and other current assets	**14,480**	**3.2**	12,694	3.1	14.1	Mainly attributable to the increase in prepayments for third-party coal and material costs
8	Restricted bank deposits	**6,082**	**1.3**	4,115	1.0	47.8	Mainly attributable to the increase in statutory deposit reserve placed by Shenhua Finance Company
9	Cash and cash equivalents	**51,627**	**11.3**	61,652	15.2	(16.3)	Mainly attributable to the overall impact of factors such as increases in receivables, investment and dividend distribution
10	Short-term borrowings and long-term borrowings due within one year	**28,093**	**6.1**	16,489	4.1	70.4	Mainly attributable to the increase in short-term borrowings to supplement working capital
11	Accounts and bills payable	**31,072**	**6.8**	23,763	5.8	30.8	Mainly attributable to the increase in materials and engineering costs payable and increase in bank acceptance bills by newly acquired enterprises
12	Income tax payable	**4,686**	**1.0**	7,940	2.0	(41.0)	Mainly attributable to the implementation of preferential tax policies, for the Grand Development of the Western Region which led to a decrease in income tax payable
13	Long-term borrowings, less portion due within one year	**39,624**	**8.7**	45,443	11.2	(12.8)	Increase in net repayments during the reporting period

As at 31 December 2012, the Group's gearing ratio (total liabilities/total assets) was 33.0% (31 December 2011: 34.0% (restated)), representing a year-on-year decrease of 1.0 percentage point. The interest cover ratio (profit before interest and tax/interest expenses) was 18.8 times (2011: 19.4 times (restated)).

(2) Financial assets and liabilities denominated in foreign currencies

Unit: RMB'10,000

Item	Balance at the beginning of the period (restated)	Gains or losses arising from change in fair value for the period	Cumulative gains or losses previously reported in equity	Impairment provided for the period	Other changes in the period	Balance at the end of the period
Financial assets						
1. Financial assets at fair value through profit or loss (excluding derivative financial assets)	–	–	–	–	–	–
2. Derivative financial assets	46,688.88	(1,592.21)	–	–	(12,677.90)	32,418.77
3. Loans and receivables	87,477.59	–	–	–	35,577.44	123,055.03
4. Available-for-sale financial assets	–	–	–	–	–	–
5. Held-to-maturity investments	–	–	–	–	–	–
Sub-total of financial assets	134,166.47	(1,592.21)	–	–	22,899.54	155,473.80
Financial liabilities	868,571.82	–	–	–	(115,095.55)	753,476.27

(3) Charge over assets of the Group

For the twelve months ended 31 December 2012, the Group has not placed any charges over its assets.

(4) During the reporting period, there was no material change in measurement attributes for major assets of the Company.

3. Consolidated cash flows

No.	Item	**2012** *RMB million*	2011 (restated) *RMB million*	Percentage change %	**Reasons for changes**
1	Net cash generated from operating activities	**69,055**	70,949	(2.7)	Mainly attributable to the increased receivables in operating activities
2	Net cash used in investing activities	**(61,930)**	(55,255)	12.1	Mainly attributable to an increase in capital expenditure
3	Net cash used in financing activities	**(17,153)**	(31,333)	(45.3)	Mainly attributable to an increase in short-term borrowings obtained during the year

Review on Operating Results by Business Segment

Coal Segment

1. Coal production and mining operation

Despite the adverse impacts from drastic changes in coal market and frequent severe weather in 2012, the Company achieved continuous growth in coal production volume by organizing production in a scientific manner with a focus on product quality improvement. Commercial coal production volume for the year reached 304.0 million tonnes (2011: 281.9 million tonnes (restated)), representing a year-on-year increase of 7.8%, which was mainly contributed by Shendong Mines, Zhunge'er Mines and Baorixile Mines.

Shendong Mines achieved a stable and high output by reasonably adjusting mining successive schedules and enhancing the organization of working face relocation and mining engineering management to overcome a range of unfavorable factors such as the increasingly complex mine geological structure and the extreme weather. Commercial coal production volume increased by 6.3% year-on-year to 183.4 million tonnes (2011: 172.5 million tonnes (restated)), accounting for 60.3% of the total commercial coal production volume of the Group during the same period. The increase is mainly contributed by Daliuta mine and Bu'ertai mine with an increase in commercial coal production volume of 26.2% and 34.3% respectively in the year, and in particular, Daliuta mine has become the world's largest underground mine in terms of raw coal output. Jinjie mine put its capacity expansion and upgrade project into production, and maintained a stable increase in commercial coal production volume.

Zhunge'er Mines recorded commercial coal production volume of 58.4 million tonnes, representing a year-on-year increase of 7.6%.

Shengli Mines overcame the adverse impacts from weather and the sluggish regional market, and recorded commercial coal production volume of 24.9 million tonnes, representing a year-on-year increase of 2.0%.

Baorixile Mines made reasonable adjustments to its mining scheme, commissioned auxiliary equipment in time and optimized the transportation routes, and its commercial coal production volume reached 30.3 million tonnes, representing a year-on-year increase of 15.6%. Baotou Mines recorded commercial coal production volume of 4.0 million tonnes for the year, representing a year-on-year increase of 33.3%.

The PT.GH EMM Indonesia Project was in stable operation, with commercial coal production volume for the year of 2.0 million tonnes.

Shenhua Watermark Coal Project in Australia has basically completed the exploration of main works, and submitted the environment assessment report for its open-cut mine project.

2. *Coal sales*

(1) Increase in coal sales volume against headwinds

In 2012, the Company capitalized on its strength in integrated business model to firmly implement the mega-sales strategy into full play. Increase in coal sales against headwinds was achieved through tailored marketing strategies under integrated sales platform, the improved coordination with transportation network, extended sales channel and micro–management for coal sales. The Company's coal sales volume for the year reached 464.6 million tonnes, representing a year-on-year increase of 19.9%.

(I) Domestic and export sales

	2012 Sales volume *million tonnes*	2012 Proportion to total sales %	2012 Price *RMB/tonne*	2011 (restated) Sales volume *million tonnes*	2011 (restated) Proportion to total sales %	2011 (restated) Price *RMB/tonne*	Change in price %
Domestic sales	**460.8**	**99.2**	**424.8**	381.9	98.6	431.4	(1.5)
Long-term contract sales	**180.2**	**38.8**	**353.4**	171.7	44.3	337.8	4.6
Mine mouth	**14.1**	**3.1**	**183.0**	11.4	2.9	162.3	12.8
Direct arrival (along railway)	**86.5**	**18.6**	**263.1**	80.5	20.8	251.0	4.8
Seaborne	**79.6**	**17.1**	**481.7**	79.8	20.6	450.5	6.9
Spot sales	**280.6**	**60.4**	**470.6**	210.2	54.3	507.9	(7.3)
Mine mouth	**35.5**	**7.6**	**133.5**	40.6	10.5	171.0	(21.9)
Direct arrival (along railway)	**65.9**	**14.2**	**413.3**	44.9	11.6	474.3	(12.9)
Seaborne	**179.2**	**38.6**	**558.5**	124.7	32.2	629.7	(11.3)
Export and other sales	**3.8**	**0.8**	**792.1**	5.6	1.4	747.7	5.9
Total sales volume / weighted average price	**464.6**	**100.0**	**427.8**	387.5	100.0	436.0	(1.9)

In 2012, domestic sales volume of the Company amounted to 460.8 million tonnes (2011: 381.9 million tonnes (restated)), representing a year-on-year increase of 20.7% and accounting for 99.2% of the total coal sales volume. Among which, spot sales amounted to 280.6 million tonnes (2011: 210.2 million tonnes (restated)), accounting for 60.4% of the total sales volume in 2012 as compared with 54.3% (restated) in 2011.

In 2012, the Company's domestic seaborne coal sales volume was 258.8 million tonnes while the coal outbound shipment for domestic coal sales through domestic major ports was 639 million tonnes, based on which the market share of China Shenhua in coastal coal markets was estimated at approximately 40.5%. In 2012, the weighted average domestic coal sales price of the Company amounted to RMB424.8/tonne (2011: RMB431.4/tonne (restated)), representing a year-on-year decrease of 1.5%.

In 2012, the sales volume of the Company to the top five domestic customers of coal was 55.7 million tonnes, which accounted for 12.1% of the total domestic sales, of which, the sales volume to the largest customer was 12.0 million tonnes, which accounted for 2.6% of total domestic sales volume. The top five domestic customers of coal were primarily either power generation or fuel companies.

(II) Sales to external customers and internal power segment

	2012			2011 (restated)			
	Sales volume	**Percentage**	**Price**	Sales volume	Percentage	Price	Change in price
	million tonnes	**%**	***RMB/tonne***	*million tonnes*	%	*RMB/tonne*	%
Sales to external customers	**381.6**	**82.1**	**434.9**	310.5	80.1	445.3	(2.3)
Sales to internal power segment	**83.0**	**17.9**	**395.0**	77.0	19.9	398.4	(0.9)
Total coal sales volume / weighted average sales price	**464.6**	**100.0**	**427.8**	387.5	100.0	436.0	(1.9)

In 2012, the coal sales volume of the Company to external customers was 381.6 million tonnes (2011: 310.5 million tonnes (restated)), representing a year-on-year increase of 22.9%. Coal sales price to external customers decreased by 2.3% to RMB434.9/tonne from RMB445.3/tonne (restated). In 2012, the sales volume of the Company to the top five external coal customers was 55.7 million tonnes, which accounted for 12.0% of the total coal sales volume.

Coal sale to internal power segment is a unique model of integrated operation of the Group. In 2012, the coal sales of the Company to the power segment of the Group was 83.0 million tonnes (2011: 77.0 million tonnes (restated)), accounting for 17.9% of the total coal sales volume, a year-on-year decrease of 2.0 percentage points. The sales price decreased by 0.9% to RMB395.0/tonne from RMB398.4/tonne (restated).

China's government revoked the major thermal coal key contract mechanism and has adopted a market-oriented thermal coal pricing policy since 2013. The Company adjusted its proposals on coal sales for 2013 accordingly: in respect of cross-province sales contracts, sales volume under the contracts at spot prices and sales volume under the contracts at agreed mid-to-long term prices were executed in the proportion of 3 to 7. The spot price was subject to to the Bohai Bay Thermal Coal Price Index and the agreed mid-to-long term price was fixed at a discount of RMB10/tonne on the spot price.

(2) Further expansion of the coal sales market

In 2012, the Company developed new markets in the southern areas along the Beijing-Guangzhou Railway, Beijing-Kowloon Railway and Beijing-Shanghai Railway, extended its business radius to western Shandong, northern Jiangsu and Henan, and explored the inland markets along the Yangtze River including Chongqing. During the year, the Company recorded growth in commercial coal sales volume to east China and northeast China. In particular, the commercial coal sales volume to east China was 175.3 million tonnes, with a year-on-year increase of 4.2 percentage points in the proportion to total domestic coal sales volume of the Company.

(3) Further improved coal product portfolio

In 2012, the Company made timely adjustments to product portfolio according to market demands, thereby leading to further increases in the sales volume to non-electricity end users in metallurgy, chemical and construction materials industries and the sales volume of high value-added varieties such as lump coal and super low ash coal. The sales volume of non-thermal coal for the year reached 104.9 million tonnes, and accounted for 22.8% of the Company's total domestic coal sales volume, representing an increase of 4.3 percentage points as compared with the proportion of 18.5% in the previous year.

(4) Further enhanced control over coal sources

In 2012, the Company continuously enhanced the control over coal sources through further expanding the coal procurement channels along railways, increasing coal volume and the volume of coal imported from Indonesia, Australia, Russia and other countries. The Company's sales of coal purchased from third parties for the year continued to increase to 157.8 million tonnes (2011: 105.2 million tonnes (restated)), representing a year-on-year increase of 50.0%, of which sales of imported coal reached 10.7 million tonnes.

3. *Coal mine production safety*

The Company improved its safety management through various means including continuous system improvements as well as the strengthened training, accountability and on-site safety inspections. In 2012, the Company's production safety remained at leading position in the world with a fatality rate per million tonnes of raw coal output at 0.003.

4. *Coal resources*

As at 31 December 2012, the Group had coal resource of 25.142 billion and recoverable coal reserve of 15.123 billion tonnes under the PRC Standard; the Group's marketable coal reserve was 9.042 billion tonnes under the JORC Standard.

In 2012, the Company's exploration expenses amounted to approximately RMB215 million (2011: RMB326 million (restated)), which was mainly attributed to the relevant exploration expenses of the Watermark Coal Project in Australia.

In 2012, the Company's relevant capital expenditures of mining development and exploration amounted to approximately RMB8.514 billion (2011: RMB14.681 billion (restated)). The capital expenditures were mainly related to the continuous mining project at Shendong Mines, the capacity expansion project of Zhunge'er Mines, the additional coal mining equipment and mining projects of Baorixile Mines, etc.

Characteristics of the commercial coal produced by the Company's major mines are as follows:

No.	**Mines**	**Major types of coal**	**Calorific value range of major commercial coal products**	**Sulphur content range**
1	Shendong Mines	Long flame coal / non-caking coal	>5,250kcal/kg	0-0.6%
2	Zhunge'er Mines	Long flame coal	>4,500kcal/kg	0-0.5%
3	Shengli Mines	Lignite	>3,100kcal/kg	0-1.0%
4	Baorixile Mines	Lignite	>3,600kcal/kg	0-0.5%
5	Baotou Mines	Long flame coal / non-caking coal	>4,200kcal/kg	0-1.0%

Note: The calorific value range relates to major commercial coal products produced by each mine, which may be inconsistent with the characteristics of the commercial coal products produced by individual mine and those of the commercial coal products sold by the Company due to such factors as geological conditions, mining area, coal washing, selecting and processing, transportation loss and coal blending ratio.

5. *Operating results*

(1) The operating results of the coal segment of the Group before elimination on consolidation in 2012 were as follows:

		2012	2011 (restated)	Changes	Reasons for changes
Revenues	RMB million	**206,815**	172,480	19.9%	Increase in coal sales volume year-on-year
Cost of revenues	RMB million	**154,033**	118,137	30.4%	Mainly attributable to the increases in coal production volume, unit production costs and the purchasing cost of coal purchased from third parties
Of which:					
1. Production cost of self-produced coal	RMB million	**39,939**	33,500	19.2%	
2. Cost of coal purchased from third parties	RMB million	**69,685**	45,904	51.8%	
Gross profit margin	%	**25.5**	31.5	Decreased by 6.0 percentage points	
Profit from operations	RMB million	**45,020**	46,802	(3.8%)	
Margin of profit from operations	%	**21.8**	27.1	Decreased by 5.3 percentage points	

(2) Unit production cost of self-produced coal

In 2012, unit production cost of self-produced coal in the coal segment was RMB130.2/tonne (2011: RMB118.7/tonne (restated)), representing a year-on-year increase of 9.7%. The main reasons affecting the unit production cost are:

1. Costs of materials, fuel and power were RMB25.4/tonne (2011: RMB22.8/tonne (restated)), representing a year-on-year increase of 11.4%. This increase was mainly due to the Company's increased investments in safety management, the increase in the number of advancing tunnels, and the increase in the number of relevant mining and tunneling equipment as a result of the continuing extension of tunnels;

2. Personnel expenses were RMB14.3/tonne (2011: RMB14.6/tonne (restated)), representing a year-on-year decrease of 2.1%;

3. Repairs and maintenance expenses were RMB8.1/tonne (2011: RMB7.5/tonne (restated)), representing a year-on-year increase of 8.0%. The increase was mainly due to the effects of the repair and maintenance cycle, with the increase in the quantity of facilities repaired.

4. Depreciation and amortization were RMB20.4/tonne (2011: RMB20.8/tonne (restated)), representing a year-on-year decrease of 1.9%.

5. Other costs were RMB62.0/tonne (2011: RMB53.0/tonne (restated)), representing a year-on-year increase of 17.0%. The increase was mainly due to the increases in coal washing and preparation expenses, mining engineering expenses and land requisition and relocation compensation. Other costs consist of the following three components: (1) expenses directly related to production, including safety-related production expenses, coal washing and preparation expenses and mining engineering expenses, etc., accounting for 60%; (2) auxiliary production expenses, accounting for 7%; (3) land requisition and surface subsidence compensation, environmental protection expenses, fees levied by local government, etc., accounting for approximately 33%.

(3) Cost of coal purchased from third parties

In addition to self-produced coal, the Company purchased coal from third parties including coal procurement near its mines and along the railways, coal purchase through domestic trade and coal import.

In 2012, costs of coal purchased from third parties were RMB69,685 million (2011: RMB45,904 million (restated)), representing a year-on-year increase of 51.8%. The increase was mainly due to:

1. the sales volume of coal purchased from third parties increased significantly to 157.8 million tonnes in 2012 from 105.2 million tonnes (restated) in 2011, representing a year-on-year increase of 52.6 million or 50.0%, and its proportion to total sales volume increased to 34.0% in 2012 from 27.1% (restated) in 2011;

2. unit purchasing cost of coal purchased from third parties increased to RMB441.6/tonne (2011: RMB436.3/tonne (restated)), representing a year-on-year increase of RMB5.3/tonne.

Power segment

1. *Business operations*

With a slowdown of China's economy in 2012, the growth rate of power consumption in China decreased to 5.5% from 11.7% in 2011; and due to the contraction of the thermal power market as squeezed by the significant increase of hydropower output, the average utilization hours of coal-fired generators recorded a decline. Capturing the favorable market and seasonal opportunities by enhancing marketing efforts to respond to the changing market, the Company recorded gross power generation and total power output dispatch of 207.90 billion kwh and 193.46 billion kwh respectively, representing an increase of 10.4% (restated) and 10.2% (restated) respectively. Of which, the coal-fired generators recorded power generation of 205.27 billion kwh, and ranked above the national average level for the same period in terms of its year-on-year growth and the average utilization hours. As a result of the refined management and continuous energy saving and consumption reduction endeavors in its power plants, the Company's standard coal consumption for power output dispatch of coal-fired generators for the year was 323g/kwh, 3g/kwh below the standard coal consumption for power output dispatch of 6,000 kw and above power plants in the PRC which was at 326g/kwh.

		China Shenhua	**National**	**Difference**
Year-on-year growth in power generation of coal-fired generators in 2012	%	10.4	0.3	10.1
Average utilization hours of coal-fired generators in 2012	hour	5,261[Note]	4,965	296

Note: In 2011, the Company's average utilization hours of coal-fired generators were 5,944 hours (restated).

Given the declining coal price and rising inventories, the power segment as an internal market increased the utilization of the Group's coal to ensure sound integrated operations. In 2012, the thermal coal consumption of the power segment was 94.2 million tonnes, of which 83.1 million tonnes or 88.2% were purchased from internal coal segment of Shenhua.

Leveraging on favorable opportunities in strategic cooperation between enterprises and local governments and in the industry, the Company pressed ahead with its new power business in 2012, extending the power business presence to southeast coastal provinces, regions along the Yangtze River, central and south China. The net increase in installed capacity of power generation was 4,645 MW in total for the year. The 2x350 MW generators of Zhundong Wucaiwan Thermal Power Project Phase I were completed and put into operation. The Beijing Gas Thermal Power Project, the Shenhua Wanzhou Power Plant Project in Chongqing and the Shenhua Hequ New Power Project fueled by low calorific value coal in Shanxi were granted approvals respectively by local governments and the National Development and Reform Commission. As at the end of 2012, the total installed capacity of the Company was 41,798 MW, representing an increase of 8.8% from 38,413 MW (restated) at the end of last year. The Company controlled and operated 100 coal-fired generators, with the average capacity per unit of 409 MW.

2. *Operating results*

The operating results of the power segment of the Group before elimination on consolidation in 2012 were as follows:

		2012	2011 (restated)	**Changes**	**Reasons for changes**
Revenues	RMB million	**72,263**	62,123	16.3%	Increase in power output dispatch and power tariffs
Cost of revenues	RMB million	**56,583**	49,108	15.2%	Mainly attributable to the increased power generation, higher unit cost of power output dispatch and the increases in depreciation and amortization due to commissioning of new generators
Gross profit margin	%	**21.7**	21.0	Increased by 0.7 percentage point	
Profit from operations	RMB million	**13,057**	10,513	24.2%	
Margin of profit from operations	%	**18.1**	16.9	Increased by 1.2 percentage points	

Benefiting from the increase in on-grid power tariffs for thermal power plants in some provinces and cities as well as the decreased thermal coal costs of power plants due to the declined thermal coal prices, the power segment recorded better operating profitability. The average power tariff of the Company's thermal power plants for 2012 reached RMB361/mwh, representing an increase of RMB19/mwh as compared with RMB342/mwh (restated) of last year. The unit cost of power output dispatch was RMB289.6/mwh (2011: RMB276.3/mwh (restated)), representing a year-on-year increase of 4.8%. The increase was mainly due to the increase in unit fixed costs arising from the decreased average utilization hours. Gross profit margin was 21.7% (2011: 21.0% (restated)), representing a year-on-year increase of 0.7 percentage point.

Railway Segment

1. *Business operations*

Railway segment plays an important role in the Company's unique integrated business model and contributes strong supports to the mega-sales and mega-logistics strategy. In 2012, the Company continued to strengthen transportation scheduling and management with reasonable capacity deployments, purchased additional wagons and expanded the trains with capacity of 10,000 tonnes while accelerating capacity expansion and equipment upgrade projects, so as to further improve the railway transportation capacity. The transportation turnover of self-owned railway of the Company for the year was 176.2 billion tonne km (2011: 162.3 billion tonne km (restated)), representing a year-on-year increase of 8.6%, which accounted for 77.9% of the total turnover, an increase of 1.4 percentage points as compared with 76.5% (restated) for 2011.

The capacity expansion and construction of new railways progressed smoothly during 2012. Shenshuo Railway made sound progress in the capacity expansion project for major loading stations and increased its transportation capacity steadily. At Shuohuang Railway, the capacity expansion project was basically completed. In particular, the number of advanced super-power heavy-haul train "The Shenhua" has increased with a successful debut of the first 20,000-tonne heavy-haul train, laying a foundation for gradually meeting the capacity goal of 350 million tonnes in the future. The second extension line of Dazhun Railway is expected to complete and fully commence operation in 2013. All paving work of the new Ganquan Railway has been completed. Bazhun Railway and Zhunchi Railway were in smooth construction progress, and are expected to complete in the second half of 2013.

2. *Operating results*

The operating results of the railway segment of the Group before elimination on consolidation in 2012 were as follows:

		2012	2011 (restated)	**Changes**	**Reasons for changes**
Revenues	RMB million	**25,006**	22,926	9.1%	The increase in railway transportation volume
Cost of revenues	RMB million	**13,494**	11,902	13.4%	The increases in railway transportation volume, the cost of materials, fuel and power due to higher power tariff, and the personnel expenses
Gross profit margin	%	**46.0**	48.1	Decreased by 2.1 percentage points	
Profit from operations	RMB million	**10,232**	9,896	3.4%	
Margin of profit from operations	%	**40.9**	43.2	Decreased by 2.3 percentage points	

In 2012, the revenue generated from the internal transportation service provided by the railway segment for the Group amounted to RMB21,946 million (2011: RMB20,181 million (restated)), representing a year-on-year increase of 8.7%, accounting for 87.8% of the revenues of the railway segment. Meanwhile, certain railway lines of the Group utilized the excessive transportation capacity to provide transportation services to third parties and generate transportation revenue.

In 2012, the unit transportation cost in the railway segment was RMB0.075/tonne km (2011: RMB0.072/tonne km (restated)), representing a year-on-year increase of 4.2%.

Port Segment

1. Business operations

The Company owns and operates Huanghua Port and Shenhua Tianjin Coal Dock which are the major shipment transfer hubs of the Company for coal sales to domestic coastal and overseas markets. The seaborne coal volume of the Company completed by self-owned ports and third party ports amounted to 262.2 million tonnes in 2012, accounting for 56.4% of the total coal sales volume. Of the total, Huanghua Port and Shenhua Tianjin Coal Dock completed seaborne coal sales of 124.4 million tonnes.

At Huanghua Port, the Phase III Project with a designed annual loading capacity of 50.0 million tonnes completed construction and commenced pilot operation; the authorization of the Phase IV Project progressed smoothly; and the national coal reserve base project has begun basic foundation construction work. At Shenhua Tianjin Coal Dock, the Phase II project has been approved by the National Development and Reform Commission and is expected to complete in 2013; by then the annual loading capacity of Shenhua Tianjin Coal Dock will reach 80.0 million tonnes. The Phase I project of Shenhua Coal Storage and Shipping Centre at Zhuhai Gaolan Port with a designed annual loading capacity of 20.0 million tonnes commenced trial operation at the end of 2012. The Shenhua Luoyuan Wan Coal Storage Base Project in Fujian has been incorporated into the second batch of emergency coal storage bases in China.

2. *Operating results*

The operating results of the port segment of the Group before elimination on consolidation in 2012 were as follows:

		2012	2011 (restated)	Changes	Reasons for changes
Revenues	RMB million	**3,042**	2,820	7.9%	Increase in loading volume at ports
Cost of revenues	RMB million	**1,856**	1,833	1.3%	Mainly attributable to an increase in cost for repairs and maintenance
Gross profit margin	%	**39.0**	35.0	Increased by 4.0 percentage points	
Profit from operations	RMB million	**833**	729	14.3%	
Margin of profit from operations	%	**27.4**	25.9	Increased by 1.5 percentage points	

In 2012, the revenues generated from the internal transportation service provided by the port segment for the Group amounted to RMB2,918 million (2011: RMB2,673 million (restated)), representing a year-on-year increase of 9.2% and accounting for 95.9% of the revenues of the port segment. The cost of internal transportation service provided for the Group was RMB1,768 million.

Shipping Segment

1. *Business operations*

In 2012, the coastal shipping market was relatively depressed due to the impacts from domestic economy and coal market. Drawing upon the Group's strength in integrated operation, Shenhua Zhonghai Shipping Company provided tailored transportation services to reach out to new customers, transportation channel along the Yangtze River and international transportation route for imported coal. The shipping volume for the year amounted to 97.7 million tonnes, representing a year-on-year increase of 21.2%. The shipment turnover amounted to 82.5 billion tonne nautical miles, representing a year-on-year increase of 15.4%. To further improve the business chain, increase its seaborne capacity and carry out ocean transportation, the company started the building of 76,000-tonne bulk carrier.

2. *Operating results*

The operating results of the shipping segment of the Group before elimination on consolidation in 2012 were as follows:

		2012	2011 (restated)	**Changes**	**Reasons for changes**
Revenues	RMB million	**4,320**	5,099	(15.3%)	The decreases in shipping volume and shipment freight due to the depressed shipping market
Cost of revenues	RMB million	**3,697**	4,377	(15.5%)	(1) Mainly attributable to the decreased vessel chartering costs; and (2) the decrease in cost of revenues due to the deductible input value-added tax on certain costs as result of the change of business tax to value-added tax
Gross profit margin	%	**14.4**	14.2	Increased by 0.2 percentage point	
Profit from operations	RMB million	**676**	681	(0.7%)	
Margin of profit from operations	%	**15.6**	13.4	Increased by 2.2 percentage points	

In 2012, the unit transportation cost in the shipping segment was RMB0.045/tonne nautical mile (2011: RMB0.061/tonne nautical mile (restated)), representing a year-on-year decrease of 26.2%.

Core Competitiveness

The Company principally engages in production and sales of coal, production and sales of power, railway, port and shipping transportation etc. The Company also has a team of professional management, technical staff, facilities, patents and land use rights, all of which are relevant to the businesses engaged by the Company. Currently, its core competitiveness are manifested in:

1. **Unique operation and profitability:** The integration of coal, power, railway, port and shipping into one unified operation chain is the Company's unique operation and profitability model, which enables deepened cooperation, shared resources, synergy, low-cost operation, a one-stop operation chain of production, transportation and sales, and a standardized, professional and all-rounded development, as well as maximizing profits driven from every stage of coal-based production. A unified operation chain ensures a stable and reliable supply and internal demand, and provides an advantageous edge for the competition for new projects, resources and markets.

   In 2012, the Company continued to strengthen the corporation among business segments, optimize the linkage among production, transportation and sales processes, meanwhile, consolidate, perfect and develop its unified operation chain, to secure a consistent business growth by offsetting the risk brought from weak demand and descending coal price.

2. **Coal mining rights:** The Company possesses an abundant pool of high-quality coal resources which is suitable for the exploitation and operation of large-scale mechanized coal mines. As at the end of 2012, under the coal mining rights possessed and controlled by China Shenhua, it had coal resource reserve of 25.142 billion tonnes and recoverable coal reserve of 15.123 billion tonnes under the PRC Standard; the Company's marketable coal reserve was 9.042 billion tonnes under the JORC Standard.

   In 2012, the Company continued to progress on its resource acquisition including its new Taige Temple Exploration Area in Xinjie, and expand its coal reserve by selectively seizing appealing business opportunities, so as to guarantee a sustainable business growth.

3. **Management team and operating principle focusing on coal-based integrated energy business:** Adhering to the development strategy, China Shenhua's experienced management team with extensive industry knowledge continues to place their focus on the development of coal-based integrated energy business, while handling non-coal-based business with prudent care.

   China Shenhua's management team has adhered to such operating principle since the listing of the Company.

4. **Advanced technology and innovation:** With consistent efforts added to its advanced technology and innovation, China Shenhua's technology in coal exploitation, clean energy power, heavy-loaded transportation and safe production has secured a leading position in both domestic and global markets, and has preliminarily established an integrated operation system fused with technology resources in stages of professional policy-making, system management, background analysis and conclusion as well as an innovation-driven development mode.

In 2012, the Company was granted 281 patents, 71 of which are invention patents. As at the end of 2012, the Company possessed a total of 928 patents, 143 of which are invention patents.

5. **Option and pre-emptive right to acquire:** Pursuant to the Non-Competition Agreement signed between the Company and its controlling shareholder Shenhua Group Corporation, the Company is granted an option and pre-emptive right to acquire existing businesses and certain potential businesses from Shenhua Group.

   In 2012, Shenhua Group's assets and the businesses not yet injected into China Shenhua experienced consistent growth. China Shenhua has completed 3 acquisitions of equity interests and 1 acquisition of assets from its controlling shareholder, and will continue to progress on new acquisitions.

DIRECTORS' MANAGEMENT DISCUSSION AND ANALYSIS IN RELATION TO FUTURE DEVELOPMENT

Review and prospect of business environment

(I) Macroeconomic conditions

Addressing the grim domestic and international economic environment in 2012, Chinese government accelerated the transformation of the economic growth model and reinforced and improved macro control in time under the guideline of "Making progress while maintaining stability", stabilizing national economy with steady social economic progress. In 2012, the gross domestic product (GDP) of China grew by 7.8% year-on-year to RMB51,932.2 billion, and consumer price index (CPI) recorded a year-on-year increase of 2.6% which was 2.8 percentage points lower than the previous year.

China is still in a period of important strategic opportunities for urbanization, industrialization and coordinated regional development. China will strive to expand domestic demand and improve innovation ability to achieve sustainable development. With a complicated international and domestic economy as a backdrop, China will promote the transformation of its economic growth model and accelerate the adjustment of industrial structure to seek new growth drivers along its transformation.

Looking forward to 2013, Chinese government will focus on the improvement of the quality and efficiency of economic growth, deepen the reform and opening up policy, implement the innovation-driven strategy and make progress while maintaining stability. Efforts will be made to keep adopting active fiscal policies and prudent monetary policies and maintain overall price stability so as to achieve the continuous healthy development of economy. The economic stability and macroeconomic growth are expected to underpin the demands for energy sources including coal.

(II) Market environment of the coal industry

1. Thermal coal market in China

Item	**2012**	2011	**Percentage change** %
Raw coal output (million tonnes)	**3,660**	3,520	4.0
Coal transportation by railway (million tonnes)	**2,256**	2,269	(0.6)
Coal import (million tonnes)	**289**	225	28.4
Coal export (million tonnes)	**9.3**	14.7	(36.7)

Source: National Bureau of Statistics of China, China Coal Market Network (Note: the figures in this table refer to all types of coal and not thermal coal only.)

Review for 2012

Domestic coal market witnessed a drastic change in supply and demand and volatile prices in 2012. With the slowdown of macro economy, the equilibrium of supply and demand in coal market experienced a sharp reversal coupled with plunging prices, as characterized by high inventories of users and a weak market during peak season. As at the end of 2012, the Bohai Bay Thermal Coal Price Index had dropped by RMB106/tonne year-on-year.

China's coal production volume recorded decreasing month-on-month growths through 2012. It was attributable to: 1) production cutbacks of enterprises given their lower profitability due to the declining coal prices and the sluggish macro economy; and 2) the slower growth in coal supply due to the increased efforts of the campaign against illegal production, operation and construction and rectifying non-compliance activities ("Rectification Campaign"), which resulted in more stringent safety supervision on domestic coal mines. In 2012, China produced a total of 3.66 billion tonnes of raw coal, representing a year-on-year growth of 4% which is however 4.7 percentage points slower than the same period last year.

Demand from coal downstream sectors posted a significantly slower growth in 2012, as a result of the economic restructuring, expiry of easing policies and the international economic recession. In 2012, thermal power, crude steel and cement industries posted production growths of 0.6%, 7.4% and 3.7% year-on-year, which were 13.3, 8.7 and 4.7 percentage points slower than the same period last year.

In 2012, China imported 289 million tonnes of coal, representing a year-on-year increase of 28.4%.

The lower proportion of thermal power due to the increased hydropower output is another short-term factor that affected thermal coal demand in 2012. During the year, the hydropower output posted a significant growth year-on-year due to the plentiful upstream rainfall, which further curbed the utilization efficiency of thermal power. The percentage of thermal power generation in the gross power generation for the year decreased to 78.5% from 82.5% for the same period last year, curbing the growth in demand for thermal coal to some extent.

During 2012, production costs of coal enterprises continued to rise in a rigid manner due to continuous impacts from the increasing expenses on energy conservation and emission reduction, safety and environmental protection. At the same time, a year-on-year decrease of profitability was common among coal enterprises due to the plunging coal prices.

Prospect for 2013

Although a recovery in real economy is expected for 2013, the economy will maintain continuous and steady growth as external uncertainties still exist. The anticipated recovery of real economy is expected to pull up coal demand from major coal consumers in power, steel, building materials and chemical industries.

Factors affecting coal supply in 2013:

Growth drivers: the previous fixed assets investment, newly constructed mines and capacity expansion of the existing mines will be gradually translated to production capacity in the coal industry. The gradually accomplished consolidation of coal mines in certain major coal-producing provinces and regions will contribute to higher production capacities. In addition, there might be a year-on-year growth in coal import.

Limiting factors: the continuing Rectification Campaign with increasingly stringent safety supervision on coal mines is expected to affect the output of major coal producing areas. The production capacity is expected to be subdued due to certain factors including coal price falling below costs. Despite the continuing growth in coal demand in regions such as Shandong and northeast China, it is difficult to increase coal production volume. In the major coal producing areas in northwest, the condition of "production determined by transportation capacity" is expected to subsist in the peak seasons.

To conclude, it is estimated that coal supply in 2013 should maintain a growth momentum, which is however subject to various factors.

Factors affecting coal demand in 2013:

Fundamentals: 1) The overall energy demand should be fuelled by a further recovery in infrastructure investment and residents' consumption along with the positive economic pace of China; and 2) the urbanization progress is expected to stimulate local infrastructure construction, thus contributing to resilient energy demand.

Short-term factors: The volume of demand for thermal coal will continue to be affected by hydro-power peak seasons. In 2013, the flexible utilization of inventories by thermal coal users is expected to mitigate the distinction of demands in slow and peak seasons.

As coal demand in 2013 is expected to recover amid the positive pace of national economy, the coal market should demonstrate an overall balance between supply and demand. However, there should still be fluctuations to some limited extent due to seasonal changes in coal market, hydropower output, stockpile adjustments by power plants and other factors.

It is expected that the thermal coal marketization reform will result in the volatility of selling prices of coal enterprises in tune with market conditions.

China's coal import in 2013 is expected to maintain steady growth.

In view of steady macroeconomic growth in 2013, the improved equilibrium of coal supply and demand and the rigid cost upsides, coal supply and demand are expected to maintain an overall balance, with regional or occasional coal surplus or deficit.

2. *Thermal coal market in Asia Pacific region*

Review for 2012

In 2012, international coal prices declined sharply due to a global oversupply as a result of the depressed demands from traditional coal importing countries.

During 2012, Australia exported 316 million tonnes of coal, a year-on-year increase of 12.4%; Indonesia exported 342 million tonnes of coal, a year-on-year increase of 5.8%; and the United States exported 48 million tonnes of coal, a year-on-year increase of 54.8%.

The demand growth in the Asia Pacific region in 2012 was mainly contributed by China, while India imported 107 million tonnes of coal in the year, representing a year-on-year increase of 13.8%. Due to the overall shutdown of nuclear power facilities, Japan increased its coal import to 185 million tonnes in 2012, representing a year-on-year increase of 5.7%.

Thermal coal prices in the Asia Pacific region, albeit relatively weak through 2012, witnessed a bottom-off bounce-back since early December as driven by the positive expectation of global economy, among other catalysts. The Australia BJ thermal coal spot price retreated from USD110/tonne at the beginning of the year to USD95/tonne as at the end of 2012.

Prospect for 2013

Looking ahead to 2013, Australia and Indonesia will still be major coal suppliers in the Asia Pacific region, with the export from the United States, South Africa and Russia maintaining growth. Under the current coal prices, mines with higher costs are experiencing reduced or completely halted production, which will reduce the volume of coal supplied.

In view of a potential bottom-off bounce-back of global economy, the coal demand from Europe and America in 2013 is expected to recover as compared with 2012. However, the growth in coal demand will be slow. The main coal consumption regions will be China and India. Coal consumptions in Japan, South Korea, Taiwan and other countries and regions will have limited room for growth.

The supply and demand in the international coal market shall maintain an overall equilibrium. In 2013, international coal prices will likely bottom out and pick up as supported by the changes in slow and peak seasons and the rigid upsides of coal costs.

(III) Market environment of the power industry

Review for 2012

In 2012, power consumption in China was 4,959.1 billion kwh, representing a year-on-year increase of 5.5% which is slightly slower than the GDP growth. With an essential balance between supply and demand of power during the year, there was no administrative restriction on power consumption or power shortage across the country.

The quarterly movements of power consumption during 2012 demonstrated a “V” pattern, with the average growth in power consumption decreasing to below 4% in the first three quarters and rebounding to 7.45% in the fourth quarter due to a strong rally of power demand under the national macro-economic control policies.

Power demands from different industries were disparate in 2012, mainly attributable to the overall economic conditions and the economic restructuring policies of the PRC. Power consumption in the secondary industry only grew by 3.9%, representing a year-on-year decrease of 8.3 percentage points, which was especially dragged by a notably slower growth in power consumption of heavy industry. Power consumption of the tertiary industry and the urban and rural residents posted a sound year-on-year growth of 11.5% and 10.7% respectively.

Due to the overall depressed power demand and lower proportion of thermal power due to the surging hydropower output, the average utilization hours of coal-fired generators in 2012 were 4,965 hours, representing a year-on-year decrease of 340 hours. However, benefiting form the decreased costs due to the drops in thermal coal prices, the thermal power sector achieved a turnaround from the industry-wide loss making since 2008 with significantly improving profitability.

Prospect for 2013

Looking into 2013, labour demand for power in China will be increased along with a stable macro-economic growth as expected under the key note of "Making progress while maintaining stability" established by the central government. The supply and demand of power in China is expected to be balanced in general. The overall structure of power consumption in 2013 should be essentially the same as in of 2012.

The thermal power investment in 2012 amounted to RMB101.4 billion, representing a year-on-year decrease of 10.5%. Given the generally slow investment growths of the power industry from 2010 to 2012, the decreasing investments in thermal power throughout the years, the number of generators to commence operation in 2013 will be affected. As a result, the overall utilization hours of generators are expected to pick up.

The two-tier price system for thermal coal which had been adopted for years will be discontinued with effect from 2013 under an improving coal and electricity linkage system.We anticipate that the power tariff will maintain stable in 2013.

The efforts in the denitrification renovation of China's thermal power industry will be stepped up in 2013 under the new environmental policies.

Development Strategy of the Company

(I) China Shenhua's main opportunities for future development:

China's consistent economic growth, industrialization and urbanization will ignite the demand for energy such as coal and power and the development of related businesses;

With the significance of coal in China's energy reserve and consumption structure remains unchanged in the foreseeable future, new development opportunities are brought by the reform of energy prices of coal and power;

Despite the shrinking market share of coal-fired power generation due to the optimization of power structure, coal-fired power generation still secures a leading position and there is an upward trend in its installed capacity.

The speed-up of reformed development, adjustment of macro-economic requirements and reform of the transportation industry will catalyze business upgrade and will be beneficial to the new growth in transportation and logistics industry;

The merger and acquisition among coal enterprises eliminates obsolete capacity, promotes group-wide development to reach economy of scale as well as a market-driven pricing mechanism; the implementation of "expand big enterprises and eliminate small enterprises" policy in power industry and the market-driven pricing mechanism; the construction of national and regional railway and transportation will bring new opportunities for acquisition and investment.

(II) China Shenhua's main challenges ahead:

The structural change brought by the monitoring of total energy consumption and non-traditional fossil fuels and new energy sources will hinder the potential development of coal and coal-fired power in overall energy sources; various factors including the relative excess supply, increasing net import volume and diminishing demand growth of coal will add fluctuations to coal market and coal prices to a certain extent;

With regard to the tightening regulations on energy and environment, the potential risks encountered by energy development in terms of environmental and habitat protection will gradually increase; the entry requirement for coal exploitation and coal-fired power development and benchmarks for clean energy and production safety etc. is growing stricter, thus the approval of projects and rights will become more difficult.

The government steps up its efforts to adjust power structure, and imposes strict limit to the newly-installed capacity of coal-fired power; future policies including quota on renewable energy sources and compulsory carbon-emission reduction, as well as the reform of the pricing mechanism of coal and power prices, will be the Company's future uncertainties.

In the course of the Group's rapid expansion, the Company will face challenges in the in-depth and organic integration of corporate governance, operation management, production safety and human resources, etc.

(III) Development Strategy of China Shenhua

The development strategy of China Shenhua is to pursue scientific development reshape Shenhua and build itself into a world first-class coal-based integrated energy enterprise with global competitiveness.

Adhering to its strategy and with a focus on development, China Shenhua will optimize its integrated model and resource allocation on an ongoing basis, expand development potential as well as promoting synergy among principal businesses, so as to enhance both its competitiveness and risk appetite. Meanwhile, China Shenhua will fulfill its social responsibilities and build itself into a reputable internationalized company and create more value for its shareholders.

Stick to the principle that coal is the basis where the Company's integrated development lays upon. With the ultimate view to ensure production safety, the Company will strengthen its spot coal production, augment its production capacity, construct new mining areas and coordinate its suppliers of purchased coal. Meanwhile, the Company will further implement Mega-sales Strategy, in order to build Shenhua into the "Walmart" in China's coal industry.

Make full play of the role of power as both the stabilizer and the economic growth pole of the Company's coal business. The Company will continue to optimize its power structure and energy portfolio. By leveraging on the advantages brought by the integration of coal, power and transportation, the Company will develop an integration project of coal, power, port and storage along the coastal area in East China, innovate the integration of coal and power in North-west China, dispose an integration business of coal, power, storage and logistics in Central China and along the rivers, and be alert to trends in new energy sources and react promptly to develop such potential sources so as to strengthen the sustainable development of its power segment in all aspects.

Develop transportation business in an appropriate manner and achieve advanced growth. Transportation is a pillar business which converts the Company's resource advantage into a development advantage. Grasping any suitable opportunities to perform advanced development, the Company will optimize its transportation network, map out, construct and operate its principal railways, ports and piers, and shipping channels in seas and rivers along key regional markets, which are all connected to its coal reserve bases, so as to consolidate and develop its unique resource advantage.

Consolidate overseas development and proactively explore new businesses. The Company will perfect its current overseas projects and coal importing businesses in an active yet prudent manner after thorough planning and study. It will also nurture new economic growth poles from integrated businesses by proceeding with its logistics, trade, safety, environmental protection and green energy projects, as well as its oxidized aluminium and shale gas projects.

Through the implementation of its development strategies, the Company will further enhance the controlling power, influence and leading role of its coal business, expand the market share and augment the support to coal business from its power business, leverage on and enhance the unique advantages of its transportation business, and exploit new businesses which are highly related to its principal businesses.

Business Target for 2013

In 2013, the Company will prioritize efficiency while attending to the speed and scale of development. Emphasis will be placed on further strengthening the marketing endeavors to develop coal sales market, leveraging on preferential policies and favourable opportunities to increase power generation, and accelerating the railway capacity expansion projects and construction of new railways with multiple measures to tap on capacity and mitigate the bottleneck of transportation. The Company strives to accomplish its business targets for 2013 through coordinated and balanced growths in production, transportation and sales and stepping up on efforts in cost control and control over expenditure and consumption.

Item	Unit	Target of 2013	Accomplishment in 2012	Percentage change of the target of 2013 to the accomplishment in 2012 (%)
Commercial coal production	million tonnes	**315.0**	304.0	3.6
Coal sales	million tonnes	**464.6**	464.6	-
Power output dispatch	billion kwh	**205.0**	193.46	6.0
Revenues	RMB100 million	**2,714**	2,502.60	8.4
Cost of Revenues	RMB100 million	**1,852**	1,677.54	10.4
Total of selling, general and administrative expenses and net finance costs	RMB100 million	**178**	150.21	18.5

PROFIT DISTRIBUTION PLAN

Profit distributions for the past three years

In accordance with the requirements of relevant laws and regulations and the Articles of Association, the profit distribution of the Company focuses on reasonable investment returns for investors and on the maintenance of sustainability and stability. Pursuant to the Articles of Association, the profit distribution of the Company shall be made based on the distributable profits in the financial statements prepared under the Accounting Standards for Business Enterprises or the International Financial Reporting Standards, whichever is lower.

In accordance with the "Notice on Further Implementing Cash Dividend Distribution Policy among Listed Companies" issued by CSRC and the "Notice on Further Optimizing Cash Dividend Distribution Policy among Listed Companies" issued by Beijing Regulatory Bureau of CSRC, the Company has made amendments to its Articles of Association in relation to the procedures for consideration for profit distribution plan, the basic principle of profit distribution policy, specific policies of profit distribution, the proportion of cash dividend, etc. The said amendments were considered and approved at the 30th meeting of the second session of the Board on 24 August 2012, where all independent directors expressed their independent opinions on the proposed amendments to confirm that the proposed amendments to the Articles of Association in relation to profit distribution are in accordance with relevant laws and regulations and the requirements of the Articles of Association. The procedures for consideration for profit distribution plan, the basic principle of profit distribution policy, specific policies of profit distribution, the proportion of cash dividend and relevant articles as set out in the proposed amendments are conducive for enhancing the transparency of cash dividend, further strengthening the awareness of returning to shareholders and providing reasonable returns to investors. The proposed amendments are subject to approval by the general meeting of the Company. For details of the proposed amendments to the Articles of Association, please refer to the Announcement of Resolutions passed at the 30th Meeting of the Second Session of the Board dated 25 August 2012 published on the website of the Shanghai Stock Exchange (Lin 2012-037).

Dividend	**Distribution date**	**Dividend per share (inclusive of tax)**	**Total dividend (inclusive of tax)**	**Net profit attributable to equity shareholders of the Company for the indicated year (Not restated)**	**Ratio**
		RMB per share	*RMB million*	*RMB million*	*%*
Final dividend for 2009	July 2010	0.53	10,541	30,276	34.8
Final dividend for 2010	June and August 2011	0.75	14,917	37,187	40.1
Final dividend for 2011	June and July 2012	0.90	17,901	44,822	39.9

For details of the payment of final dividend for 2011 during the reporting period, please refer to the Company's annual report for 2011, the Voting Results of 2011 Annual General Meeting, 2012 First Class Meeting of the Holders of A Shares and 2012 First Class Meeting of the Holders of H Shares dated 25 May 2012 published on the Hong Kong Stock Exchange, and the Announcement of Payment of Final Dividend for 2011 (Lin 2012-024) dated 1 June 2012 published on the Shanghai Stock Exchange.

Profit distribution plan for the reporting period

1. Net profit attributable to equity shareholders of the Company for 2012 under the Accounting Standards for Business Enterprises amounted to RMB47.661 billion, basic earnings per share of RMB2.396. As at 31 December 2012, the retained earnings which is available for distribution to shareholders of the Company was RMB50.884 billion. The Board recommends payment of a final dividend for 2012 of RMB0.96 per share (inclusive of tax), totalling approximately RMB19.094 billion (inclusive of tax), which represents 40.1% of net profit attributable to equity shareholders of the Company under the PRC Accounting Standards for Business Enterprises.

   The Company will hold the 2012 annual general meeting on 21 June 2013 (Friday) to consider and approve the relevant resolutions, including the above final dividend for the year 2012 as proposed by the Board.

2. According to the Articles of Association of China Shenhua, dividends distributed by the Company is denominated and announced in RMB. Dividends to holders of domestic shares are paid in RMB, and dividends to holders of foreign shares are paid in HKD. The dividend paid in HKD is calculated according to the exchange rate based on the average benchmark rate of RMB against HKD as published by the Bank of China five business days preceding the date of declaration of such dividend.

3. According to the Articles of Association of China Shenhua:

   (1) After the Shanghai Stock Exchange is closed in the afternoon on 21 May 2013 (Tuesday), the shareholders of A shares of the Company and the proxy of shareholders as registered in the China Securities Depository and Clearing Corporation Limited Shanghai Branch are entitled to attend and vote at the 2012 annual general meeting of the Company;

   (2) Under relevant regulations of China Securities Depository and Clearing Corporation Limited Shanghai Branch and according to the market practice adopted for final dividend distribution for A shares, the Company will publish a separate announcement in respect of final dividend distribution to holders of A shares for the year 2012 after the annual general meeting of 2012 to determine the record date and ex-rights date for final dividend distribution to holders of A shares for the year 2012.

4. The register of members of H Shares of the Company shall be closed during the following periods:

   (1) The register of members will be closed from 21 May 2013 (Tuesday) to 21 June 2013 (Friday) (both days inclusive) to determine the identity of the shareholders of H shares who are entitled to attend and vote at the 2012 annual general meeting. In order to be eligible for attending and vote at the 2012 annual general meeting, shareholders of H shares shall lodge the share certificates with the instrument of transfer to Computershare Hong Kong Investor Services Limited, the Company's share registrar for H shares no later than 4:30pm on 20 May 2013 (Monday) to effect the transfer of shares.

   (2) The register of members will be closed from 1 July 2013 (Monday) to 5 July 2013 (Friday) (both days inclusive) to determine the identity of the shareholders of H shares who are entitled to the proposed final dividend for the year 2012. In order to be eligible for receiving the proposed 2011 final dividend, shareholders of H shares shall lodge the share certificates with the instrument of transfer to Computershare Hong Kong Investor Services Limited, the Company's share registrar for H shares no later than 4:30 pm on 28 June 2013 (Friday) to effect the transfer of shares.

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

   Investors are advised to read the above content carefully. Should there be any changes to their status as shareholders, they should consult their agent or custodian organisation for the relevant procedures. The Company shall withhold and pay enterprise income tax for the non-resident enterprise shareholders whose name appeared in the register of members for H shares of the Company on 5 July 2013.

6. According to Guo Shui Han [2011] No.348 issued by the State Administration of Taxation, the Company shall withhold and pay individual income tax for dividend for the individual shareholders of H shares. The individual shareholders of H shares are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements inked between the countries where they are residents and China or the tax arrangements between mainland China and Hong Kong (Macau). If the individual shareholders of the H shares who are Hong Kong or Macau residents or residents of the countries which had an agreed tax rate of 10% for dividend with China, the Company should withhold individual income tax at a rate of 10%.

   Should the individual shareholders of the H shares be residents of countries which had an agreed tax rate of less than 10% with China, the Company shall apply for the relevant agreed preferential tax treatment in accordance with the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No.124). Should the individual shareholders of the H shares be residents of countries which had an agreed tax rate of over 10% but less than 20% with China, the Company shall pay the individual income tax at the agreed actual rate. In case the individual shareholders of the H shares are residents of countries which had not entered into any tax agreement with China, or the agreed tax rate with China is 20% or otherwise, the Company shall pay the individual income tax at a rate of 20%.

   The Company shall take the registered address (hereinafter referred to as "registered address") as recorded in the register of members of H shares on 5 July 2013 as the criterion in determining the residence of the individual shareholders of H shares, and withhold and pay individual income tax whereby. Should the residence of the individual shareholders of H shares be inconsistent with the registered address, they should notify the Company's share registrar for H shares on or before 4:30pm on 28 June 2013 with relevant evidence at Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre,183 Queen's Road East, Wan Chai, Hong Kong. For the individual shareholders of H shares who failed to provide relevant evidence to the Company's share registrar for H shares before the above deadline, the Company shall determine their residence according to the registered address as recorded in the register of members on 5 July 2013.

7. The Company assumes no responsibility and will not entertain any claims arising from any delay in, or inaccurate determination of, the status of the shareholders or any dispute over the mechanism of withholding. Shareholders should consult their tax advisers regarding the PRC, Hong Kong and other tax implications of owning and disposing of the Company's H shares.

CORPORATE GOVERNANCE

The Company has adopted the corporate governance policies as set out in Appendix 14 of the Hong Kong Listing Rules, and established its own system of corporate governance. As of 31 December 2012, the Company has been in full compliance with the provisions and most of the recommended best practices as specified therein.

Operation of Board Committees of the Company

Performance of duties by the Strategy Committee

The Strategy Committee of the second session of the Board is comprised of Dr. Zhang Xiwu, Dr. Zhang Yuzhuo and Dr. Ling Wen, with Dr. Zhang Xiwu as the chairman.

The principal duties of the Strategy Committee are to conduct researches and to submit proposals regarding the long-term development strategies and material investment decisions of the Company; conduct researches and submit proposals regarding material investments and financing plans which require approval from the Board; conduct researches and submit proposals regarding material capital operations and assets operation projects which require approval from the Board; conduct researches and submit proposals regarding other material matters that may affect the Company's development; carry out examination on the implementation of the above matters; and carry out other matters as authorized by the Board.

Performance of duties by the Audit Committee

The Audit Committee of the second session of the Board is comprised of Mr. Gong Huazhang (with professional qualifications and experience in accounting and other fields of financial management), Mr. Guo Peizhang and Mr. Chen Hongsheng, with Mr. Gong Huazhang as the chairman. Mr. Xie Songlin, a former member, resigned in May 2012.

During the reporting period, the Audit Committee carried out its duties strictly in accordance with the "Rules of Procedures of Meetings of the Audit Committee of the Board of Directors", "Working Rules of the Audit Committee of the Board of Directors" and "Working Rules for Annual Reports of the Audit Committee of the Board of Directors" of China Shenhua. The principal duties of the Audit Committee are:

(1) to examine the internal audit schedule of the Company for the year;

(2) to supervise the system and implementation of internal audit policy, review the financial information of the Company and its disclosure, and review the quarterly, interim and annual financial statements before submission to the Board;

(3) to supervise the appointment and removal of the person-in-charge of the Company's internal auditing organisation and provide any relevant advice;

(4) to review and monitor whether the external auditors are independent and objective and the audit procedures are effective in accordance with appropriate criteria, and the audit committee should discuss with the auditors on the nature and scope of the audit and the related responsibilities on reporting before the commencement of the audit;

(5) to formulate and implement policies for appointment of external auditors to provide non-auditing services;

(6) to provide advice to the Board on appointment, re-appointment and removal of external auditors, approve the remuneration and terms of appointment of external auditors, and deal with any matters regarding the resignation or dismissal of those auditors;

(7) to monitor the completeness of the Company's financial statements, annual reports and accounts, interim reports and, if to be issued, quarterly reports, and review any significant opinion on financial reporting set out in the financial statements and reports. Members of the committee should liaise with the Board, the President, other senior management and the qualified accountants of the Company, and the committee must meet with the external auditors of the Company at least once a year. The members of the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and should give due consideration to any matters that have been raised by the qualified accountants, compliance officers and auditors of the Company;

(8) to review the financial reporting, financial monitoring, internal control and risk management systems of the Company, and review the internal control system of the Company;

(9) to discuss the internal control system with the management to ensure that the management has performed its duty to establish an effective internal control system;

(10) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and the management's response to such findings;

(11) serve as the bridge of communication between the internal and the external auditors, and to ensure coordination between the internal and the external auditors, and also to ensure that the internal audit function is adequately resourced for operations and has appropriate standings within the issuer, and to review and monitor its effectiveness;

(12) to review the financial and accounting policies and practices of the Company;

(13) to review the "Letter to the Management for Reporting the Status of the Audit" submitted by the external auditors to the management, any material queries raised by the auditors to the management regarding accounting records, financial accounts or systems of control and the response from the management;

(14) to ensure that the Board will provide a timely response to the issues raised in the "Letter to the Management for Reporting the Status of the Audit" submitted by the external auditors to the management; and

(15) to consider other topics as defined by the Board.

In 2012, the Audit Committee held eleven meetings, and all members of the Committee attended all meetings in person.

The Audit Committee has performed necessary procedures for the preparation of the 2012 annual report of the Company:

On 12 November 2012, the Audit Committee reviewed the annual audit and internal control audit proposal of the Company in 2012.

On 17 March 2013, the Audit Committee reviewed the unaudited "Financial Accounting Report for 2012" (draft) and the "2012 Assessment Report for Internal Control" (draft) and "Major Risk Exposures and Countermeasures (Disclosure in Annual Report for 2012)(draft).

On 12 March 2013, the Audit Committee considered the report from the Chief Financial Officer of the Company, on the accounting policies and the preparation of the financial statements.

On 12 March 2013, the Audit Committee approved the audited annual financial accounting statements, the assessment report for internal control and the corporate social responsibility report for the year 2012 by way of poll, and submitted them to the Board for approval.

The Audit Committee discussed independently with the external auditors and no inconsistency with the report from the management was found.

Performance of duties by the Remuneration Committee

The Remuneration Committee of the second session of the Board is comprised of Ms. Fan Hsu Lai Tai, Mr. Gong Huazhang and Mr. Kong Dong with Ms. Fan Hsu Lai Tai as the chairman. Mr. Liu Benren, a former member resigned in May 2012.

The main duties of the Remuneration Committee are to make recommendations to the Board on formulation of the remuneration plan or proposal for directors, supervisors, the president and other senior management, including but not limited to the criteria, procedures and the major systems of performance assessment, key incentive and punishment plans and systems; examine how directors, supervisors, the president and other senior management of the Company perform their duties and carry out annual performance assessment on them; and supervise the implementation of the remuneration system of the Company. The Remuneration Committee is authorized by the Board to determine the specific remuneration package, including nonmonetary benefits, pension and compensation (including compensation for loss or termination of office or appointment) for all executive directors, supervisors, the president and other senior management, to ensure that none of the directors or any of their respective associates can determine his/her own remuneration; and carry out other matters as authorized by the Board.

Performance of duties by the Nomination Committee

The Nomination Committee of the second session of the Board is comprised of Dr. Zhang Xiwu, Ms. Fan Hsu Lai Tai and Mr. Guo Peizhang, with Dr. Zhang Xiwu as the chairman.

The main duties of the Nomination Committee are to regularly review the structure, size and composition (including skills, knowledge and experience) of the Board and to make recommendations to the Board with regard to any proposed changes; assess and verify the independence of independent non-executive directors; draft procedures and criteria for election and appointment of directors, the president and other senior management and make recommendations to the Board; extensively seek for qualified candidates of directors, the president and other senior management; examine candidates of directors, the president and other senior management and make recommendations; nominate candidates for members of the Board Committees (other than members of the Nomination Committee and the chairman of any Board Committee); draft development plans for the president, other senior management and key reserve talent; and carry out any other matter as authorized by the Board.

Performance of duties by the Safety, Health and Environment Committee

The Safety, Health and Environment Committee of the second session of the Board is comprised of Mr. Guo Peizhang, Dr. Zhang Yuzhuo, Dr. Ling Wen and Mr. Han Jianguo, with Mr. Guo Peizhang as the chairman.

The principal duties of the Safety, Health and Environment Committee are to supervise the implementation of health, safety and environmental protection plans of the Company; give advice to the Board or the president on material issues of the Company in respect of health, safety and environmental protection; inquire into the material incidents regarding the Company's production, operations, property assets, staff or other facilities; as well as review and supervise the resolution of such incidents and carry out other matters as authorized by the Board.

Others

For the year ended 31 December 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company as defined in the Hong Kong Listing Rules.

ANNUAL REPORT

The 2012 annual report will be published on the website of the Hong Kong Stock Exchange in due course.

The 2012 annual report, which contains consolidated financial statements for the year ended 31 December 2012, with an unqualified auditor's report, will be despatched to shareholders as well as made available on the Company's website at http://www.csec.com.

DEFINITIONS

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

Abbreviation	**Full name**
Shenhua Group Corporation	Shenhua Group Corporation Limited
Shenhua Group	Shenhua Group Corporation Limited and its controlling subsidiaries
China Shenhua or the Company	China Shenhua Energy Company Limited
The Group	the Company and its subsidiaries
Branches and Subsidiaries	Branches and subsidiaries of the Company
Shendong Coal Group Corporation	Shenhua Shendong Coal Group Co., Ltd.
Shendong Coal Group	the corporation conglomerate consisting of Shenhua Shendong Corporation Coal Group Co., Ltd. and its subsidiaries

Shendong Coal Group	China Shenhua Energy Company Limited Shendong Coal Branch
Guohua Power Branch	Guohua Power Branch of the Company
Guohua Power	Beijing Guohua Power Company Limited
Shenhua Guoneng Group or State Grid Energy	Shenhua Guoneng Group Co., Ltd. (神華國能集團有限公司), formerly "State Grid Energy Development Co., Ltd."
Shendong Power Company	Shenhua Shendong Power Co., Ltd.
Coal Liquefaction and Chemical Company	China Shenhua Coal Liquefaction and Chemical Co., Ltd.
Zhunge'er Energy Company	Shenhua Zhunge'er Energy Co., Ltd.
Ha'erwusu Branch	Ha'erwusu Coal Branch of the Company
Zhunge'er Power	Power-generating arm controlled and operated by Zhunge'er Energy Company
Zhunchi Railway	Shenhua Zhunchi Railway Company Limited
Shuohuang Railway Company	Shuohuang Railway Development Co., Ltd.
Shenhua Trading Group	Shenhua Trading Group Limited
Coal Trading Company	Shenhua Coal Trading Company Limited
Shenshuo Railway Branch	Shenshuo Railway Branch of the Company
Huanghua Harbour Administration Company	Shenhua Huanghua Harbour Administration Co., Ltd.
Baoshen Railway Company	Shenhua Baoshen Railway Co., Ltd.
Xinzhun Railway Company	Shenhua Xinzhun Railway Co., Ltd.
Baotou Energy Company	Shenhua Baotou Energy Co., Ltd.
Shenbao Energy Company	Shenhua Baorixile Energy Co., Ltd.

Rolling Stock Branch	Rolling Stock Branch of the Company
Beidian Shengli Energy	Shenhua Beidian Shengli Energy Co., Ltd.
Shengli Energy Branch	Shengli Energy Branch of the Company
Tianjin Coal Dock	Shenhua Tianjin Coal Dock Co., Ltd.
Zhuhai Coal Dock	Shenhua Yudean Zhuhai Port Coal Dock Co., Ltd.
Overseas Company	China Shenhua Overseas Development & Investment Co., Ltd.
Yu Shen Energy Company	Yulin Shenhua Energy Co., Ltd.
Xinjie Energy Company	Shenhua Xinjie Energy Co., Ltd.
Bayannur Company	Shenhua Bayannur Energy Co., Ltd.
Shipping Company	Shenhua Zhonghai Shipping Co., Ltd.
Ganquan Railway Company	Shenhua Ganquan Railway Co., Ltd.
Shenwan Energy Company	Shenwan Energy Company Limited
Fujian Energy Company	Shenhua Fujian Energy Co., Ltd.
Bashu Power	Shenhua Bashu Power Co., Ltd.
Shenwei Branch	Railway Track Mechanichal Maintenance Branch of the Company
Logistics Group	Shenhua Logistics Group Corporation Limited
Finance Company	Shenhua Finance Co., Ltd.
Shenhua HK Company	Shenhua International (Hong Kong) Company Limited
Geological Exploration Company	Shenhua Geological Exploration Co., Ltd.
Information Company	Shenhua Hollysys Information Technology Co., Ltd.
Australia Pty	Shenhua Australia Holdings Pty Limited

Watermark	Shenhua Watermark Coal Pty Limited
Chaijiagou Mining	Shaanxi Jihua Chaijiagou Mining Co., Ltd.
Clean Coal Company	Hulunbeier Shenhua Clean Coal Co., Ltd.
EMM Indonesia	PT.GH EMM INDONESIA
Beijing Thermal	Shenhua Guohua International Power Company Limited Beijing Thermal Power Branch
Panshan Power	Tianjin Guohua Panshan Power Generation Co., Ltd.
Sanhe Power	Sanhe Power Co., Ltd.
Guohua Zhunge'er	Inner Mongolia Guohua Zhunge'er Power Generation Co., Ltd.
Ninghai Power or Zheneng Power	Zhejiang Guohua Zheneng Power Generation Co., Ltd.
Shenmu Power	CLP Guohua Shenmu Power Co., Ltd.
Taishan Power	Guangdong Guohua Yudean Taishan Power Co., Ltd.
Huanghua Power or Cangdong Power	Hebei Guohua Cangdong Power Co., Ltd.
Suizhong Power	Suizhong Power Co., Ltd.
Jinjie Energy	Shaanxi Guohua Jinjie Energy Co., Ltd.
Dingzhou Power	Hebei Guohua Dingzhou Power Generation Co., Ltd.
Guohua Hulunbeier Power	Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd.
Taicang Power	Guohua Taicang Power Generation Co., Ltd.
Mengjin Power	Shenhua Guohua Mengjin Power Generation Co., Ltd.
Yuyao Power	Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd.
Zhuhai Wind Energy	Zhuhai Guohua Huidafeng Wind Energy Development Co., Ltd.

Huizhou Thermal	Guohua Huizhou Thermal Power Branch of the Company
Zhunge'er Coal Gangue Power	Inner Mongolia Zhunge'er Coal Gangue Power Co., Ltd.
A Share(s)	Ordinary shares that are issued to domestic investors with the approval of CSRC and listed in the domestic stock exchanges, and denominated, subscribed and transacted in Renminbi
H Share(s)	Ordinary shares that are issued to domestic investors with the approval of CSRC and listed on the Hong Kong Stock Exchange, and denominated, subscribed and transacted in Hong Kong dollar
JORC	Australasian Code for Reporting of Mineral Resources and Ore Reserves sets out the standards, recommendation and guidelines for public reporting in Australasia of exploration results, mineral resources and ore reserves, a widely accepted code for reserve reporting purpose
Company Law	Company Law of the People's Republic of China
Securities Law	Securities Law of the People's Republic of China
SASAC	Stated-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China
NDRC	National Development and Reform Commission of the People's Republic of China
CSRC	China Securities Regulatory Commission
CSRC Beijing Bureau	China Securities Regulatory Commission Beijing Bureau
NSSF	National Council for Social Security Fund
SERC	State Electricity Regulatory Commission of the People's Republic of China
Shanghai Stock Exchange	Shanghai Stock Exchange
Hong Kong Stock Exchange or Stock Exchange	The Stock Exchange of Hong Kong Limited

Shanghai Listing Rules	Rules Governing the Listing of Stocks on Shanghai Stock Exchange
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Accounting Standards for Business Enterprises	Accounting Standards for Business Enterprises – Basic Standard and Business Enterprises 38 specific accounting standards issued by the Ministry of Finance of the People's Republic of China on 15 February 2006 and the Application Guidance to Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other related requirements subsequently issued
Articles of Association	Articles of Association of China Shenhua Energy Company Limited
Designated Newspapers for Information Disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
RMB	RMB

By order of the board of directors
China Shenhua Energy Company Limited
Huang Qing
Secretary to the Board of Directors

Beijing, 22 March 2013

As at the date of this announcement, the Board comprises Dr. Zhang Xiwu, Dr. Zhang Yuzhuo, Dr. Ling Wen and Mr. Han Jianguo as executive Directors, Mr. Kong Dong and Mr. Chen Hongsheng as non-executive Directors, and Ms. Fan Hsu Lai Tai, Mr. Gong Huazhang and Mr. GuoPeizhang as independent non-executive Directors.