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 2013

FINANCIAL HIGHLIGHTS

- Revenue of the Group in 2013 were RMB283,797 million, representing an increase of RMB29,222 million or 11.5% over 2012.
- Profit for the year attributable to equity holders of the Company in 2013 was RMB45,079 million, representing an decrease of RMB4,629 million or 9.3% over 2012.
- Basic earnings per share was RMB2.266.
- EBITDA[1] in 2013 was RMB100,614 million, representing an increase of RMB1,047 million or 1.1% over 2012.
- The Board proposed a final dividend of RMB0.91 per share or RMB18,100 million for the year of 2013.

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 2013 and to report our performance for the year.

FINANCIAL INFORMATION

Financial information extracted from the audited consolidated financial statements for the year ended 31 December 2013 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 shares of profits less losses of associates.

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2013

	NOTES	**Year ended 31 December 2013 RMB million**	2012 *RMB million* (Restated- Note 1)
Revenue	3	**283,797**	254,575
Cost of sales	4	**(202,431)**	(174,677)
Gross profit		**81,366**	79,898
Selling, general and administrative expenses		**(10,118)**	(9,160)
Other gains and losses		**(889)**	(303)
Other income		**533**	777
Other expenses		**(364)**	(466)
Interest income		**754**	777
Finance costs	6	**(2,942)**	(3,128)
Share of results of associates		**588**	477
Profit before income tax		**68,928**	68,872
Income tax expense	7	**(13,704)**	(10,976)
Profit for the year	5	**55,224**	57,896
Other comprehensive (expense) income for the year, net of income tax, that may be reclassified subsequently to profit or loss:			
Exchange differences		**(802)**	80
Total comprehensive income for the year		**54,422**	57,976
Profit for the year attributable to:			
Equity holders of the Company		**45,079**	49,708
Non-controlling interests		**10,145**	8,188
		55,224	57,896
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**44,293**	49,782
Non-controlling interests		**10,129**	8,194
		54,422	57,976
Earnings per share (RMB)			
– Basic	9	**2.266**	2.499

Consolidated statement of financial position
at 31 December 2013

	NOTES	**31 December 2013 RMB million**	31 December 2012 RMB million (Restated-Note 1)	1 January 2012 RMB million (Restated-Note 1)
Non-current assets				
Property, plant and equipment		**262,116**	247,031	234,922
Construction in progress		**76,065**	61,737	34,597
Exploration and evaluation assets		**2,251**	2,722	2,396
Intangible assets		**1,446**	982	987
Interest in associates		**4,938**	4,690	3,992
Available-for-sale investments		**960**	960	835
Other non-current assets		**28,148**	25,482	19,785
Lease prepayments		**14,243**	14,097	12,421
Deferred tax assets		**1,723**	1,106	933
Total non-current assets		**391,890**	358,807	310,868
Current assets				
Inventories		**17,641**	15,722	13,421
Accounts and bills receivable	10	**27,221**	20,000	13,832
Prepaid expenses and other current assets		**30,274**	15,817	14,722
Restricted bank deposits		**6,648**	6,130	4,115
Time deposits with original maturity over three months		**1,292**	3,972	3,508
Cash and cash equivalents		**38,332**	51,637	61,732
Total current assets		**121,408**	113,278	111,330
Current liabilities				
Borrowings		**38,503**	28,103	16,489
Short-term debenture		**9,982**	–	–
Accounts and bills payable	11	**37,800**	31,632	24,431
Accrued expenses and other payables		**42,692**	41,825	39,894
Current portion of long-term payables		**311**	824	310
Income tax payable		**2,221**	4,697	7,940
Total current liabilities		**131,509**	107,081	89,064
Net current (liabilities) assets		**(10,101)**	6,197	22,266
Total assets less current liabilities		**381,789**	365,004	333,134
Non-current liabilities				
Borrowings		**37,084**	39,624	45,443
Medium-term notes		**4,958**	–	–
Long-term payables		**1,867**	9,158	10,978
Accrued reclamation obligations		**1,973**	1,921	1,724
Deferred tax liabilities		**1,265**	1,150	1,131
Total non-current liabilities		**47,147**	51,853	59,276
Net assets		**334,642**	313,151	273,858
Equity				
Share capital		**19,890**	19,890	19,890
Reserves		**257,013**	243,293	214,053
Equity attributable to equity holders of the Company		**276,903**	263,183	233,943
Non-controlling interests		**57,739**	49,968	39,915
Total equity		**334,642**	313,151	273,858

Consolidated statement of changes in equity

for the year ended 31 December 2013

	Equity attributable to equity holders 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 previously reported)	19,890	85,001	3,612	660	16,013	(4,457)	107,480	228,199	39,915	268,114
Adjustments for acquisitions from Shenhua Group Corporation Limited ("Shenhua Group") in 2013 (Note 1)	–	–	–	–	11	5,182	551	5,744	–	5,744
At 1 January 2012 (restated)	19,890	85,001	3,612	660	16,024	725	108,031	233,943	39,915	273,858
Profit for the year	–	–	–	–	–	–	49,708	49,708	8,188	57,896
Other comprehensive income for the year	–	–	–	74	–	–	–	74	6	80
Total comprehensive income for the year	–	–	–	74	–	–	49,708	49,782	8,194	57,976
Dividend declared (Note 8)	–	–	–	–	–	–	(17,901)	(17,901)	–	(17,901)
Appropriation of maintenance and production funds	–	–	–	–	4,264	–	(4,264)	–	–	–
Utilisation of maintenance and production funds	–	–	–	–	(3,886)	–	3,886	–	–	–
Appropriation of general reserve	–	–	–	–	152	–	(152)	–	–	–
Contributions from then shareholders in relation to the acquisitions from Shenhua Group in 2012	–	–	–	–	–	150	–	150	–	150
Distributions to then shareholders in relation to 2012 Acquisitions	–	–	–	–	–	–	(81)	(81)	(81)	(162)
Capital contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	5,395	5,395
Distributions to non-controlling shareholders	–	–	–	–	–	–	–	–	(5,034)	(5,034)
Consideration for 2012 Acquisitions	–	–	–	–	–	(2,710)	–	(2,710)	–	(2,710)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	1,579	1,579
At 31 December 2012 (restated)	19,890	85,001	3,612	734	16,554	(1,835)	139,227	263,183	49,968	313,151

	Equity attributable to equity holders 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 2013 (restated)	19,890	85,001	3,612	734	16,554	(1,835)	139,227	263,183	49,968	313,151
Profit for the year	-	-	-	-	-	-	45,079	45,079	10,145	55,224
Other comprehensive expense for the year	-	-	-	(786)	-	-	-	(786)	(16)	(802)
Total comprehensive income for the year	-	-	-	(786)	-	-	45,079	44,293	10,129	54,422
Dividend declared (Note 8)	-	-	-	-	-	-	(19,094)	(19,094)	-	(19,094)
Appropriation of maintenance and production funds	-	-	-	-	4,656	-	(4,656)	-	-	-
Utilisation of production and maintenance funds	-	-	-	-	(6,308)	-	6,308	-	-	-
Appropriation of general reserve	-	-	-	-	127	-	(127)	-	-	-
Acquisition of subsidiaries in 2013 (Note 1)	-	-	-	-	-	(9,323)	-	(9,323)	-	(9,323)
Distributions to then shareholders in relation to the 2013 Acquisitions	-	-	-	-	-	-	(2,026)	(2,026)	-	(2,026)
Contributions from non-controlling shareholders	-	-	-	-	-	17	-	17	2,843	2,860
Distributions to non-controlling shareholders	-	-	-	-	-	-	-	-	(5,172)	(5,172)
Acquisition of non-controlling interests	-	-	-	-	2	1	-	3	(18)	(15)
Others	-	-	-	-	-	(150)	-	(150)	(11)	(161)
At 31 December 2013	19,890	85,001	3,612	(52)	15,031	(11,290)	164,711	276,903	57,739	334,642

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 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 2013

	Year ended 31 December	
	2013	*2012*
	RMB million	*RMB million*
		(Restated-Note 1)
Operating activities		
Profit before income tax	**68,928**	68,872
Adjustments for:		
Depreciation and amortisation	**19,187**	19,856
Other gains and losses	**889**	303
Interest income	**(754)**	(777)
Share of results of associates	**(588)**	(477)
Interest expense	**3,685**	3,622
Fair value loss on derivative financial instruments and trading debt securities	**156**	14
Exchange gain, net	**(899)**	(508)
Other income	**(4)**	–
Operating cash flows before movements in working capital	**90,600**	90,905
Increase in inventories	**(1,992)**	(1,891)
Increase in accounts and bills receivable	**(7,218)**	(5,380)
Increase in prepaid expenses and other current assets	**(15,554)**	(2,162)
Increase in accounts and bills payable	**6,169**	2,238
Increase in accrued expenses and other payables	**36**	5,601
Cash generated from operations	**72,041**	89,311
Income tax paid	**(17,753)**	(14,700)
Net cash generated from operating activities	**54,288**	74,611
Investing activities		
Acquisition of property, plant and equipment, intangible assets, exploration and evaluation assets, additions to the construction in progress and other non-current assets	**(51,148)**	(53,516)
Increase in lease prepayments	**(517)**	(1,113)
Proceeds from disposal of property, plant and equipment, and lease prepayments	**167**	515
Payment for acquisition of subsidiaries from third parties, net of cash received	**–**	(574)
Proceeds from disposal of an associate	**229**	–
Investments in associates	**(196)**	(260)
Purchase of available-for-sale investments	**–**	(116)
Dividend received from associates	**720**	151
Interest received	**766**	750
Proceeds from available-for-sale investments	**4**	82
Increase in restricted bank deposits	**(518)**	(2,015)
Increase in time deposits with original maturity over three months	**(1,109)**	(4,497)
Maturity of time deposits with original maturity over three months	**3,789**	4,033
Entrusted loan to a third party	**–**	(1,310)
Entrusted loan to an associate	**(40)**	–
Repayment of entrusted loans	**80**	30
Net cash used in investing activities	**(47,773)**	(57,840)

	Year ended 31 December	
	2013	2012
	RMB million	*RMB million*
		(Restated- Note 1)
Financing activities		
Interest paid	**(4,321)**	(3,861)
Proceeds from borrowings	**53,681**	36,109
Repayments of borrowings	**(51,439)**	(36,075)
Net proceeds from short-term debentures and medium-term notes	**14,927**	–
Contributions from non-controlling shareholders	**2,860**	3,959
Distributions to non-controlling shareholders	**(5,046)**	(4,764)
Dividend paid to equity holders of the Company (note 8)	**(19,094)**	(17,901)
Payment for acquisitions from Shenhua Group in 2013, 2012 and 2011 (note1)	**(9,323)**	(4,324)
Contributions from then shareholders in relation to 2012 Acquisitions	**–**	150
Distributions to then shareholders in relation to acquisitions from Shenhua Group in 2013 and 2012 Acquisitions	**(2,026)**	(162)
Acquisition of non-controlling interests	**(15)**	–
NET CASH USED IN FINANCING ACTIVITIES	**(19,796)**	(26,869)
Net decrease in cash and cash equivalents	**(13,281)**	(10,098)
Cash and cash equivalents, at the beginning of the year	**51,637**	61,732
Effect of foreign exchange rate changes	**(24)**	3
Cash and cash equivalents, at the end of the year	**38,332**	51,637

1. Restatements Arising from Acquisitions of Subsidiaries Under Common Control and Reclassifications of Items of Consolidated Financial Statements

On 23 December 2013, the Company completed the acquisition from Shenhua Group the 100% equity interests in Shenhua Baotou Coal Chemical Co., Ltd. ("Baotou Company") and Shenhua Guohua Jiujiang Power Co., Ltd. ("Jiujiang Power") (collectively referred to as "2013 Acquisitions") for a cash consideration of RMB9,273 million and RMB50 million, respectively. As the Company, Baotou Company and Jiujiang Power were under common control of Shenhua Group before and after the 2013 Acquisitions. The acquisitions are considered as a combination of businesses under common control. The principle of merger accounting for business combination involving entities under common control has therefore been applied, pursuant to which the consolidated financial statements of the Group have been prepared as if Baotou Company and Jiujiang Power have been subsidiaries of the Group since the beginning of year 2012. Accordingly, the assets and liabilities of Baotou Company and Jiujiang Power have been accounted for at carrying amounts in the books of Shenhua Group and the consolidated financial statements of the Group prior to this acquisition have been restated to include the results of operations and cash flows of Baotou Company and Jiujiang Power on a combined basis. The consideration paid and payable by the Company for Baotou Company and Jiujiang Power has been accounted for as an equity transaction in the consolidated statement of changes in equity. Respective notes to the consolidated financial statements have also been restated. All significant intra-group transactions, balances, income and expenses are eliminated on combination.

As a result of 2013 Acquisitions, the relevant line items in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012 and the consolidated statement of financial position at 31 December 2012 have been restated as follows:

	The Group (as previously reported)	*Baotou Company*	*Jiujiang Power*	*Eliminations*	*The Group (Restated-Note 1)*
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012:					
Revenue	250,260	5,907	–	(1,592)	254,575
Profit for the year	57,046	850	–	–	57,896
Consolidated statement of financial position as at 31 December 2012:					
Non-current assets	346,007	12,743	57	–	358,807
Current assets	111,360	1,976	6	(64)	113,278
Total assets	457,367	14,719	63	(64)	472,085
Current liabilities	105,557	1,577	11	(64)	107,081
Non-current liabilities	45,253	6,600	–	–	51,853
Total liabilities	150,810	8,177	11	(64)	158,934
Net assets	306,557	6,542	52	–	313,151
Equity attributable to equity shareholders of the Company	256,589	6,542	52	–	263,183
Non-controlling interests	49,968	–	–	–	49,968
Total equity	306,557	6,542	52	–	313,151

Additionally, the presentation of certain financial statement line items has been changed for better understanding. Accordingly, the comparative amounts have been reclassified to conform with the current year's presentation. These reclassifications have no impact to the Group's results of operation, and are mainly as follows:

(i) Business taxes and surcharges are reclassified from selling, general and administrative expenses to cost of sales.

(ii) Exploration rights and long-term deferred expenses are reclassified from intangible assets to exploration and evaluation assets and other non-current asset, respectively.

(iii) Interest received and interest paid are reclassified from operating activities to investing and financing activities, respectively.

	The Group (as previously reported)	*Effect of 2013 Acquisitions*	*Reclassifications*	*The Group (Restated -Note 1)*
	RMB million	*RMB million*	*RMB million*	*RMB million*
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012:				
Cost of sales	(167,754)	(3,018)	(3,905)	(174,677)
Selling, general and administrative expenses	(12,950)	(162)	3,952	(9,160)
Other operating income	48	–	(48)	–
Other gain or loss	–	–	(303)	(303)
Other income	–	6	771	777
Other expenses	–	–	(466)	(466)
Investment income	1	–	(1)	–
Interest income	–	27	750	777
Finance costs	(2,071)	(307)	(750)	(3,128)
Consolidated statement of financial position as at 31 December 2012:				
Intangible assets	3,781	691	(3,490)	982
Other non-current assets	24,614	100	768	25,482
Exploration and evaluation assets	–	–	2,722	2,722
Consolidated statement of cash flows for the year ended 31 December 2012:				
Net cash generated from (used in):				
Operating activities	69,055	2,762	2,794	74,611
Investing activities	(61,930)	(1,014)	5,104	(57,840)
Financing activities	(17,153)	(1,838)	(7,878)	(26,869)

2. Application of New and Revised International Financial Reporting Standards ("IFRSs")

In the current year, the Group has applied, for the first time, certain new, revised or amendments to IFRSs ("new and revised IFRSs") that are mandatorily effective for the current year,

Except for IFRS 10 *Consolidated Financial Statements, IFRS 13 Fair Value Measurement*, Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*, IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*, the application of these new and revised IFRSs in the current year, has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in the consolidated financial statements.

3. Revenue

The Group is principally engaged in the production and sale of coal and coal chemical products, generation and sale of power and the provision of transportation services in the PRC.

	Year ended 31 December	
	2013	2012
	RMB million	*RMB million* (Restated- Note 1)
Coal revenue	**167,399**	165,989
Power revenue	**77,423**	71,096
Transportation revenue	**6,078**	5,403
Coal chemical revenue	**5,463**	4,084
	256,363	246,572
Other revenue	**27,434**	8,003
	283,797	254,575

4. Cost of Sales

	Year ended 31 December	
	2013	2012
	RMB million	*RMB million* (Restated- Note 1)
Coal purchased	**73,876**	69,685
Materials, fuel and power	**21,857**	20,398
Personnel expenses	**11,347**	10,652
Depreciation and amortisation	**16,955**	17,757
Repairs and maintenance	**9,041**	7,962
Transportation charges	**18,948**	17,481
Taxes and surcharges	**4,845**	4,772
Other operating costs	**45,562**	25,970
	202,431	174,677

5. Profit For the Year

	Year ended 31 December	
	2013	2012
	RMB million	*RMB million* (Restated- Note 1)
Personnel expenses, including	**19,038**	17,650
– contributions to retirement plans	**2,539**	2,152
– fair value gain on share appreciation rights revaluation	**–**	(1)
Depreciation of property, plant and equipment	**18,184**	18,618
Amortisation of intangible assets, included in cost of sales	**179**	148
Amortisation of lease prepayments, included in cost of sales	**360**	327
Amortisation of other non-current assets	**464**	763
Depreciation and amortisation	**19,187**	19,856
Other gains and losses, represent		
– losses on disposal of property, plant and equipment	**553**	190
– gains on disposal of an associate	**(152)**	–
– impairment in respect of properties and equipment	**187**	23
– impairment in respect of construction in progress	**147**	–
– impairment in respect of available-for-sales investments	**–**	43
– impairment of loans receivable	**153**	22
– reversal of allowance (allowance) for receivables	**(72)**	22
– write down of inventories	**73**	3
	889	303
Carrying amount of inventories sold	**156,567**	146,147
Operating lease in respect of properties and equipment	**451**	507
Exchange gain, net	**(899)**	(508)
Auditors' remuneration		
– audit services	**23**	28
– other services	**–**	1

6. Finance Costs

	Year ended 31 December 2013 *RMB million*	2012 *RMB million* (Restated-Note 1)
Interest on:		
– borrowings, wholly repayable within five years	**2,841**	2,785
– borrowings, wholly repayable after five years	**1,336**	1,266
– short-term debentures	**133**	–
– medium-term notes	**38**	–
Total borrowing costs	**4,348**	4,051
Less: amount capitalised	**859**	620
	3,489	3,431
Unwinding of discount	**196**	191
Exchange gain, net	**(899)**	(508)
Fair value changes on financial instruments	**156**	14
	2,942	3,128

Borrowing cost capitalised during the year arose on the general borrowing pool and was calculated by applying a capitalisation rate from 3.6% to 6.3% and LIBOR+2.8%, (2012: from 3.6% to 7.2% and LIBOR+2.8%, as restated) per annum to expenditure on qualifying assets.

7. Income Tax Expense

	Year ended 31 December 2013 *RMB million*	2012 *RMB million* (Restated-Note 1)
Current tax		
In respect of the current year	**13,676**	11,202
In respect of prior years	**530**	244
Deferred tax	**(502)**	(470)
	13,704	10,976

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate applicable for PRC group entities is 25% (2012: 25%) except for certain group entities which are entitled to a concessionary tax rate as disclosed below.

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 are entitled to a preferential tax rate of 15% from 2011 to 2020.

The tax charge for the year can be reconciled to the profit before income tax per consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2013	2012
	RMB million	*RMB million* (Restated-Note 1)
Profit before income tax	**68,928**	68,872
Tax at PRC income tax rate of 25% (2012: 25%)	**17,232**	17,218
Tax effects of:		
– different tax rates of branches and subsidiaries	**(4,401)**	(4,790)
– non-deductible expenses	**776**	268
– income not taxable	**(114)**	(55)
– share of results of associate	**(147)**	(119)
– utilisation of tax losses previously not recognised	**(273)**	(71)
– tax losses not recognised	**189**	201
– additional tax in respect of prior years	**530**	244
– change in tax rate	**–**	(1,807)
Others	**(88)**	(113)
Income tax expense	**13,704**	10,976

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

	Year ended 31 December	
	2013	2012
	%	*%*
Australia	**30.0**	30.0
Indonesia	**25.0**	25.0
Russia	**20.0**	20.0
Hong Kong	**16.5**	16.5

No provision for income tax was made for these overseas subsidiaries as there were no assessable profits during the current and prior years.

8. Dividends

	Year ended 31 December	
	2013	2012
	RMB million	*RMB million*
Dividend approved and paid during the year:		
2012 final – RMB0.96 (2011: RMB0.90) per ordinary share	**19,094**	17,901

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2013 of RMB0.91(2012: final dividend in respect of the year ended 31 December 2012: RMB 0.96) per ordinary share has been proposed by the Directors and is subject to approval by the shareholders in the following general meeting.

9. Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company of RMB45,079 million (2012: RMB49,708 million as restated) and the number of shares in issue during the year of 19,890 million shares (2012: 19,890 million shares).

No diluted earnings per share is presented as there were no potential ordinary shares in existence during both years.

10. Accounts and Bills Receivable

The following is an analysis of accounts and bills receivable by age, net of allowance for doubtful debts, presented based on invoice date, which approximated revenue recognition date:

	The Group	
	31 December 2013 *RMB million*	31 December 2012 *RMB million* (Restated-Note 1)
Less than one year	**26,988**	19,898
One to two years	**159**	67
Two to three years	**67**	20
More than three years	**7**	15
	27,221	20,000

11. Accounts and Bills Payable

The following is an aging analysis of accounts and bills payable, presented based on invoice date.

	The Group	
	31 December 2013 *RMB million*	31 December 2012 *RMB million* (Restated-Note 1)
Less than one year	**33,126**	27,996
One to two years	**2,613**	2,925
Two to three years	**1,436**	444
More than three years	**625**	267
	37,800	31,632

12. Segment and Other Information

Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment based on profit before income tax ("reportable segment profit"). Segment profit represents the profit earned by each segment without allocation of head office and corporate items. Inter-segment sales are primarily charged at prevailing market rate which are the same as those charged to external customers. The accounting policies of the operating segments are the same as the Group's accounting policies.

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 2013 and 2012 is set out below.

	Coal		*Power*		*Railway*		*Port*		*Shipping*		*Coal chemical*		*Segment total*	
	2013 RMB million	*2012 RMB million* (Restated-Note 1)	***2013 RMB million***	*2012 RMB million* (Restated-Note 1)	***2013 RMB million***	*2012 RMB million* (Restated-Note 1)	***2013 RMB million***	*2012 RMB million* (Restated-Note 1)	***2013 RMB million***	*2012 RMB million* (Restated-Note 1)	***2013 RMB million***	*2012 RMB million* (Restated-Note 1)	***2013 RMB million***	*2012 RMB million*
Revenue from external customers	**192,176**	170,381	**78,436**	71,776	**3,278**	3,051	**159**	124	**3,045**	2,609	**5,990**	5,907	**283,084**	253,848
Inter-segment revenue	**37,166**	36,216	**472**	487	**26,691**	21,955	**3,579**	2,918	**2,042**	1,711	**–**	–	**69,950**	63,287
Reportable segment revenue	**229,342**	206,597	**78,908**	72,263	**29,969**	25,006	**3,738**	3,042	**5,087**	4,320	**5,990**	5,907	**353,034**	317,135
Reportable segment profit	**35,994**	45,000	**17,002**	10,837	**13,875**	10,427	**1,479**	703	**369**	666	**1,258**	861	**69,977**	68,494
Including:														
Interest expenses	**471**	484	**2,025**	2,557	**244**	314	**265**	173	**9**	22	**268**	307	**3,282**	3,857
Depreciation and amortisation	**7,242**	7,543	**7,782**	8,090	**2,561**	2,367	**620**	705	**101**	95	**792**	981	**19,098**	19,781
Share of results of associates	**187**	235	**438**	208	**–**	–	**11**	7	**–**	–	**–**	–	**636**	450

Reconciliations of reportable segment revenue, profit before income tax and other items of profit or loss for the years ended 31 December 2013 and 2012

	Share of results of associates		*Depreciation and amortisation*		*Interest expenses*		*Profit before income tax*		*Revenue*	
	2013 RMB million	*2012 RMB million* (Restated- Note 1)	***2013 RMB million***	*2012 RMB million* (Restated- Note 1)	***2013 RMB million***	*2012 RMB million* (Restated- Note 1)	***2013 RMB million***	*2012 RMB million* (Restated- Note 1)	***2013 RMB million***	*2012 RMB million* (Restated- Note 1)
Reportable segment amounts	**636**	450	**19,098**	19,781	**3,282**	3,857	**69,977**	68,494	**353,034**	317,135
Elimination of inter-segment amounts	**–**	–	**–**	–	**(1,135)**	(573)	**(824)**	(419)	**(69,950)**	(63,287)
Unallocated head office and corporate items	**(48)**	27	**89**	75	**1,538**	338	**(225)**	797	**713**	727
Consolidated	**588**	477	**19,187**	19,856	**3,685**	3,622	**68,928**	68,872	**283,797**	254,575

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, exploration and evaluation assets, intangible assets, interest in associates, other non-current assets and lease prepayments ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, construction in progress and lease prepayments, and the location of operations, in the case of exploration and evaluation assets, intangible assets, other non-current assets and interest in associates.

	Revenue from external customers		**Specified non-current assets**	
	Year ended 31 December 2013 ***RMB million***	Year ended 31 December 2012 *RMB million* (Restated- Note 1)	**31 December 2013** ***RMB million***	31 December 2012 *RMB million* (Restated- Note 1)
Domestic markets	**277,717**	252,120	**379,562**	347,110
Overseas markets	**6,080**	2,455	**5,565**	6,359
	283,797	254,575	**385,127**	353,469

Other information

Certain other information of the Group's segments for the years ended 31 December 2013 and 2012 is set out below:

	Coal		*Power*		*Railway*		*Port*		*Shipping*		*Coal chemical*		*Unallocated items*		*Eliminations*		*Total*	
	2013 RMB million	*2012 RMB million (Restated-Note 1)*	***2013 RMB million***	*2012 RMB million (Restated-Note 1)*	***2013 RMB million***	*2012 RMB million (Restated-Note 1)*	***2013 RMB million***	*2012 RMB million (Restated-Note 1)*	***2013 RMB million***	*2012 RMB million (Restated-Note 1)*	***2013 RMB million***	*2012 RMB million (Restated-Note 1)*	***2013 RMB million***	*2012 RMB million (Restated-Note 1)*	***2013 RMB million***	*2012 RMB million (Restated-Note 1)*	***2013 RMB million***	*2012 RMB million (Restated-Note 1)*
Coal purchased	**73,876**	69,685	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**73,876**	69,685
Cost of coal production	**45,675**	43,034	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(14,899)**	(13,291)	**30,776**	29,743
Cost of coal transportation	**42,510**	37,428	**–**	–	**13,330**	11,633	**1,683**	1,773	**1,881**	1,471	**–**	–	**–**	–	**(42,622)**	(36,952)	**16,782**	15,353
Power cost	**–**	–	**56,921**	56,633	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(11,721)**	(12,510)	**45,200**	44,123
Cost of coal chemical production	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**3,783**	4,056	**–**	–	**(413)**	(530)	**3,370**	3,526
Others	**26,215**	6,763	**860**	558	**1,772**	1,946	**87**	87	**2,805**	2,233	**524**	556	**164**	104	**–**	–	**32,427**	12,247
Total cost of sales	**188,276**	156,910	**57,781**	57,191	**15,102**	13,579	**1,770**	1,860	**4,686**	3,704	**4,307**	4,612	**164**	104	**(69,655)**	(63,283)	**202,431**	174,677
Profit (loss) from operations	**35,919**	45,020	**18,459**	13,057	**13,590**	10,232	**1,649**	833	**317**	676	**1,510**	1,126	**262**	24	**(946)**	(243)	**70,760**	70,725
Additions to non-current assets	**8,564**	15,632	**11,078**	6,596	**19,271**	24,194	**5,680**	4,359	**2,352**	1,302	**449**	1,332	**606**	384	**–**	–	**48,000**	53,799
Total assets	**224,803**	259,595	**178,457**	153,302	**104,061**	83,411	**20,709**	16,442	**8,114**	5,394	**13,340**	14,720	**320,241**	291,291	**(356,427)**	(352,070)	**513,298**	472,085
Total liabilities	**(115,964)**	(124,916)	**(106,656)**	(99,680)	**(54,601)**	(43,349)	**(10,877)**	(8,161)	**(2,643)**	(1,082)	**(7,780)**	(8,165)	**(137,031)**	(170,650)	**256,896**	297,069	**(178,656)**	(158,934)

Notes:

(i) Non-current assets exclude financial instruments and deferred tax assets.

(ii) Unallocated items of total assets include deferred tax assets and other unallocated corporate assets. Unallocated items of total liabilities include deferred tax liabilities and other unallocated corporate liabilities.

13. Events After the Reporting Period

On 28 March 2014, the Board of Directors proposed a final dividend of RMB0.91 per ordinary share totaling RMB18,100 million to the equity holders of the Company. Further details are disclosed in Note 8.

14. Comparative figures

Certain comparative figures have been adjusted as a result of 2013 Acquisition. Further disclosure are disclosed in Note 1.

BOARD OF DIRECTORS' STATEMENT

On behalf of the board of directors, I am delighted to present to all shareholders the 2013 annual report of China Shenhua and to report on the Company's performance for the year.

In 2013, the supply in the coal market eased while the growth in demand slowed down, and the coal prices declined as a result. In face of the challenging circumstances, guided by its persistent strategy of building itself into a world first-class integrated energy enterprise, China Shenhua spared no efforts and forged ahead in adopting effective measures in a vigorous manner in response to market volatility by fully capitalizing on its competitive edge in integrated operation and optimizing its business structure. The Company achieved steady growth in its operating results despite the sluggish performance of the whole industry in general.

As at 31 December 2013, the total market capitalization of China Shenhua reached USD53.8 billion, ranking the first among all listed coal companies worldwide and the fifth among all listed integrated mining companies worldwide.

Achieving continuous business growth and maintaining stable operating results

In 2013, China Shenhua adopted measures in response to volatility in the coal market in a vigorous manner, thus achieving continuous business growth and maintaining stable operating results.

- The production volume of commercial coal reached 318.1 million tonnes and sales volume reached 514.8 million tonnes, representing a year-on-year increase of 4.6% and 10.8% respectively.

- The gross power generation reached 225.38 billion kwh, representing a year-on-year increase of 8.4%; total power output dispatch reached 210.18 billion kwh, representing a year-on-year increase of 8.6%.

- The transportation turnover of self-owned railway reached 211.6 billion tonne km, representing a year-on-year increase of 20.1%; seaborne coal sales volume reached 227.3 million tonnes, representing a year-on-year increase of 11.9%; shipping volume reached 118.6 million tonnes, representing a year-on-year increase of 21.4%.

- The sales volume of coal-to-polyethylene products was 262.4 thousand tonnes; sales volume of coal-to-polypropylene products was 267.9 thousand tonnes.

- Revenue reached RMB283.8 billion, representing a year-on-year increase of 11.5%.

- Profit for the year attributable to equity holders of the Company reached RMB45.08 billion, representing a year-on-year decrease of 9.3%.

- Basic earnings per share reached RMB2.266, representing a year-on-year decrease of 9.3%.

- Net cash generated from operating activities reached RMB54.288 billion, representing a year-on-year decrease of 27.2%; excluding the effects of Shenhua Finance Company, net cash generated from operating activities amounted to RMB62.023 billion, representing a year-on-year decrease of 12.2%.

- The Board recommends payment of a final dividend for 2013 of RMB0.91 per share (inclusive of tax) with a total amount of approximately RMB18.1 billion (inclusive of tax), which accounts for 40.2% of the profit for the year attributable to equity holders of the Company in 2013 under the International Financial Reporting Standards.

Proactive response on the basis of synergy resulting in effective mitigation of market risk

The Company continued to optimise the industrial structure and layout of its coal, power, transportation and coal chemical business. Based on the profit from operations of all business segments before elimination upon consolidation under the International Financial Reporting Standards, the percentages attributable to the coal, power, transportation and coal chemical segments were adjusted to 50%, 26%, 22% and 2% respectively in 2013 from 64%, 18%, 16% and 2% in 2012 (restated). Further optimisation in business structure and significant enhancement in capability for operational synergy effectively mitigated the risk of decrease in coal price.

The coal segment continued to strengthen refined management in production and impose appropriate control on overall growth in production on the basis of ensuring safe production. It also reasonably adjusted its production mix under the principles of maximising efficiency and minimising costs and increased the coal production volume in mines with high gross profit per tonne of coal, including Shendong Mines and Zhunge'er Mines. The segment also intensified efforts in coal washing and selection and increased the relevant ratio, so as to stabilise coal production volume and optimise product mix.

Adhering to the market-oriented pricing mechanism, the Company adopted flexible sales measures, continued to strengthen efforts in the sales through three south-bound railways, explored potential market demand through electronic trading platforms; and refined logistics arrangements to increase the sales proportion of seaborne coal. In 2013, the Company achieved a continuous growth in coal sales and exceeded its sales target. The sales volume of seaborne coal with the strongest profitability reached 227.3 million tonnes, representing a year-on-year increase of 11.9%. The market share of domestic sales of seaborne coal in coastal markets increased from 31.3% in the previous year to 35.2% (restated).

The power segment strengthened management in the operation of generators to increase power supply and raise operational efficiency of the generators. Stepping up efforts in marketing and actively seeking additional power quota beyond original plan resulted in a significant increase in efficiency of the power business. In 2013, the average utilisation hours of coal-fired generators reached 5,453 hours, surpassing the national average utilisation hours of coal-fired power generators by 441 hours.

The transportation segment actively promoted expansion in capacity, increase in volume and optimisation in operation. The segment strengthened dovetailing in the management of loading, transportation and unloading, effectively eliminating the bottleneck on the Shenshuo railway. The Company increased the number of trains with capacity of ten thousand tonnes and effectively reduced turnover days, and thus the transportation volume was further enhanced. The segment focused on optimising workflow and making flexible logistics arrangements to raise port handling efficiency and shipment turnover. To back up the expansion into new coal markets, the segment coordinated arrangements for outbound coal transportation and seaborne coal transportation. Therefore, in 2013, the transportation turnover of self-owned railways of the Company increased significantly. The shipment turnover reached 114.9 billion tonne nautical miles, representing a year-on-year increase of 39.3%.

The coal chemical segment remained steady in its operation. Baotou Coal Chemical Company focused on strengthening production management, and its production equipment maintained safe, steady and full load operation, achieving encouraging operating results.

Seizing opportunities to build a foundation for sustainable development

The Company actively launched key initiatives such as project construction, acquisition of equity interests and overseas investment, laying a foundation for sustainable development.

Projects including Guojiawan Coal Mine and Qinglongsi Coal Mine obtained approval from NDRC. Construction of projects including Chongqing Wanzhou Port and Power Integration Project made smooth progress as scheduled. Improvements to the Shuohuang railway and Shenshuo railway for capacity expansion as well as dual-line operations of Bazhun railway were completed, and the layout of the transportation system was further optimised with significant increase in transportation capacity. Shale gas project in Baojing witnessed steady progress in its geological exploration.

Acquisitions of Baotou Coal Chemical Company and Jiujiang Power were completed.

The PT.GH EMM Indonesia Project was under stable operation and Watermark Coal Project in Australia was progressing in an orderly manner. Shale gas project in USA and coal project in Russia achieved encouraging progress. The internationalisation strategy of the Company was pushed forward steadily.

Strengthening management with remarkable achievements in cost reduction and efficiency enhancement

To leave sufficient room for the Company to achieve its profit targets under the challenging market conditions, the Company further strengthened its refined management, continuously improved budgetary control, costs control and capital management, and thoroughly implemented measures including output expansion, quality improvement, production cost reduction and administration expenses minimisation. Significant increase in revenues and decrease in expenses were achieved by implementing monthly analysis, tracking and control.

In 2013, according to International Financial Reporting Standards, the net financial costs decreased by 6.9% compared with that of the previous year. The unit production cost of self-produced coal was RMB136.5/tonne, representing a year-on-year increase of 4.8%. The unit cost of power output dispatch decreased by 7.6% year-on-year, and the unit transportation costs of railway and shipping decreased by 8.5% and 8.9% respectively.

Insisting on safe and green development

Embracing the philosophy of "safe and efficient, clean and environment-friendly, mutual success with harmony", China Shenhua focused on strengthening the implementation of safe production, energy saving and environmental protection.

By implementing the advanced safety philosophy of 'seeking zero fatality rate and aiming at zero injury', the Company improved its intrinsic safety management system, and reinforced risk prevention and control as well as emergency response management. The fatality rate per million tonnes of raw coal production was 0.0058 in 2013, which was better than the national average of 0.293 and maintained its leading position in the coal industry worldwide.

The Company actively promoted establishment of the energy saving, environmental protection and intrinsic safety system, and invested a total of RMB4.014 billion in energy saving and environmental protection projects in the year, focusing on environmental protection projects such as desulphurisation, denitrification and dedusting, waste water treatment and utilisation and ecological construction, as well as energy saving projects such as boiler renovation and cogeneration. As at the end of 2013, the installed capacities of operating desulphurisation units and denitrification units accounted for 99.5% and 72.0% respectively of the total installed capacity of the Company's coal-fired units, surpassing the national average of 90.0% and 28.1% in the thermal power industry. The total investment in ecological construction for the year was RMB379 million, adding afforestation area of 16.74 million square meters.

During the reporting period, the Company integrated the philosophy of "safe and efficient, clean and environment-friendly, mutual success with harmony" into the whole operation and management process through the establishment of a "five-model enterprise", so as to achieve a harmonious development and a win-win situation with all stakeholders. For more information, please refer to the 2013 CSR Report of the Company.

2014: Expediting to build itself into a world first-class enterprise by making steady progress, reformation and innovation

In 2014, along with the steady progress of China's economy, the supply of the coal industry is expected to continue to be slightly greater than demand. Facing opportunities and challenges, China Shenhua will take the initiative to accomplish its operating goals by making responses proactively and maintaining the stability and continuity of its development strategies and operating principles. The Company will focus on the following major endeavours:

Stabilising coal production and enhancing coal sales. Committed to achieving safe and efficient production, the Company will maintain the stability of its production scale and standards, reasonably adjust its production mix and uphold the production volume of mines with higher gross profit per tonne of coal, such as Shendong Mines and Zhunge'er Mines. By playing its leading role in marketing to the fullest extent, the Company will adopt flexible sales strategies and pricing mechanisms, innovate sales models, and actively explore new markets to ensure the stability of its integrated business model.

Boosting development through optimisation and adjustment. The Company will seize opportunities on the basis of its coal business to expedite the development of its power and transportation business. The Company will also push forward the construction of projects such as Guojiawan Mine, Qinglongsi Mine, Luoyuanwan integrated port, power and storage project and Zhunchi railway. The Company will carry out the shale gas project in an orderly way to develop new areas for growth. Through launching key projects, the Company will continue to optimise its business structure to achieve coordinated development.

Continuing to enhance management, reduce costs and increase efficiency. The Company will continue to improve its business management and enhance its corporate governance standards, optimise its cost control model and improve its cost accounting system so as to reduce financial expenses and minimise non-productive expenses as far as possible. It will also impose better control on cash flow, implement better measures for risk prevention, as well as further enhance management efficiency by strictly controlling personnel expenses, so as to fortify its advantage in low-cost operation.

Achieving sustainable development by exercising the concept of energy saving and environmental protection. Adhering to its principle of green, low carbon and circular development, the Company will intensify accountability in environmental safety assessment, push forward key energy saving and environmental protection projects, enhance environmental protection management of its construction projects, so as to become a 'resource-saving, environment-friendly' enterprise and achieve sustainable development.

Looking into 2014, China Shenhua will expedite to build itself into a world first-class enterprise in a confident, realistic and pragmatic manner, and create greater value for its investors.

Zhang Yuzhuo
Vice Chairman[Note]

28 March 2014

Note: On 5 March 2014, Dr. Zhang Xiwu resigned from the positions of chairman of the Board and executive director of the Company. According to the Articles of Association, the vice chairman of the Board, Dr. Zhang Yuzhuo, shall perform the duties of the chairman of the Board until a new chairman of the Board is elected.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of the Company's Operating Results

Business Data Master Table

		2013	2012 (Restated)	Change %
Commercial coal production	(million tonnes)	**318.1**	304.0	4.6
Coal sales	(million tonnes)	**514.8**	464.6	10.8
Of which: Export	(million tonnes)	**2.7**	3.3	(18.2)
Import	(million tonnes)	**15.2**	10.7	42.1
Gross power generation	(billion kwh)	**225.38**	207.90	8.4
Total power output dispatch	(billion kwh)	**210.18**	193.46	8.6
Polyethylene sales	(thousand tonnes)	**262.4**	267.7	(2.0)
Polypropylene sales	(thousand tonnes)	**267.9**	277.6	(3.5)
Transportation turnover of self-owned railway	(billion tonne km)	**211.6**	176.2	20.1
Seaborne coal(1)	(million tonnes)	**227.3**	203.2	11.9
Of which: At Huanghua Port	(million tonnes)	**127.4**	95.6	33.3
At Shenhua Tianjin Coal Dock	(million tonnes)	**31.1**	28.8	8.0
At Shenhua Zhuhai Coal Dock	(million tonnes)	**1.5**	–	N/A
Shipping volume	(million tonnes)	**118.6**	97.7	21.4
Shipment turnover	(billion tonne nm)	**114.9**	82.5	39.3

Breakdown of Commercial Coal Production

	2013 *million tonnes*	2012 *million tonnes*	Change %
Shendong Coal Group	**177.3**	164.8	7.6
Bulianta	**27.1**	25.1	8.0
Daliuta-Huojitu	**34.7**	29.4	18.0
Yujialiang	**17.1**	17.0	0.6
Shangwan	**14.7**	14.3	2.8
Halagou	**14.8**	13.9	6.5
Baode (Kangjiatan)	**9.0**	9.0	–
Shigetai	**11.0**	10.1	8.9
Wulanmulun	**7.5**	6.9	8.7
Bu'ertai	**16.4**	14.1	16.3
Wanli No.1 mine (Changhangou)	**10.9**	11.1	(1.8)
Liuta mine	**3.9**	4.9	(20.4)
Cuncaota No. 1 mine	**4.5**	4.1	9.8
Cuncaota No. 2 mine	**4.4**	3.8	15.8
Others	**1.3**	1.1	18.2
Zhunge'er Energy Company	**30.8**	30.3	1.7
Heidaigou	**30.8**	30.3	1.7
Ha'erwusu Branch	**30.5**	28.1	8.5
Beidian Shengli Energy	**17.9**	24.9	(28.1)
Jinjie Energy	**18.8**	18.6	1.1
Shenbao Energy Company	**31.4**	30.3	3.6
Baotou Energy Company	**8.3**	4.0	107.5
Shuiquan Open-cut Mine	**2.5**	2.0	25.0
Adaohai Mine	**0.9**	0.7	28.6
Lijiahao Mine	**4.9**	1.3	276.9
Chaijiagou Mining Co., Ltd.	**1.1**	1.0	10.0
EMM Indonesia	**2.0**	2.0	–
Total production	**318.1**	304.0	4.6
By Regions			
Inner Mongolia	**209.6**	203.0	3.3
Shaanxi	**97.5**	90.0	8.3
Shanxi	**9.0**	9.0	–
Overseas	**2.0**	2.0	–

Breakdown of Coal Sales

		2013 *million tonnes*	Proportion of domestic sales %	2012 *million tonnes*	Change %
Domestic sales		**503.8**	100.0	458.8	9.8
By coal source	Self-produced coal and purchased coal	**417.4**	82.9	399.8	4.4
	Coal purchased through domestic trade	**71.2**	14.1	48.3	47.4
	Imported coal	**15.2**	3.0	10.7	42.1
By customers	External customers	**413.2**	82.0	371.7	11.2
	Power segment of the Group	**86.4**	17.2	83.0	4.1
	Coal chemical segment of the Group	**4.2**	0.8	4.1	2.4
By region	Northern China	**209.3**	41.5	224.9	(6.9)
	Eastern China	**140.6**	27.9	175.3	(19.8)
	Central China and Southern China	**49.8**	9.9	48.1	3.6
	Northeast China	**42.2**	8.4	6.0	603.1
	Others	**61.9**	12.3	4.5	1,275.8
By usage	Thermal coal	**300.3**	59.6	353.9	(15.1)
	Metallurgy	**11.7**	2.3	8.9	31.3
	Chemical (including coal slurry)	**38.2**	7.6	23.4	63.2
	Others	**153.6**	30.5	72.6	111.6

		2013 *million tonnes*	Proportion of export sales %	2012 *million tonnes*	Change %
Export Sales		**2.7**	100.0	3.3	(18.2)
	South Korea	**1.3**	49.2	1.1	22.2
	China Taiwan	**0.4**	14.7	0.5	(20.0)
	Japan	**0.7**	25.9	1.7	(58.4)
	Others	**0.3**	10.2	–	N/A
Foreign sales		**8.3**		2.5	232.0
Total sales		**514.8**		464.6	10.8

Breakdown of Railway Turnover

	2013	2012	
	billion	*billion*	Change
	tonne km	*tonne km*	%
Self-owned railways	**211.6**	176.2	20.1
Shenshuo Railway	**50.7**	42.9	18.2
Shuohuang-Huangwan Railway	**131.2**	106.4	23.3
Dazhun Railway	**19.7**	18.2	8.2
Baoshen Railway	**10.0**	8.7	14.9
State-owned railways	**50.7**	50.0	1.4
Total railway turnover	**262.3**	226.2	16.0

Breakdown of Seaborne Coal in Ports

	2013	2012	
	million	*million*	Change
	tonnes	*tonnes*	%
Self-owned ports	**160.0**	124.4	28.6
Huanghua Port	**127.4**	95.6	33.3
Shenhua Tianjin Coal Dock	**31.1**	28.8	8.0
Shenhua Zhuhai Coal Dock	**1.5**	–	N/A
Third-party ports	**67.3**	78.8	(14.6)
Total seaborne coal	**227.3**	203.2	11.9

Breakdown of Shipping Volume

	2013	2012	
	million	*million*	Change
	tonnes	*tonnes*	%
Shenhua Zhonghai Shipping Company			
The Group's internal customers	**49.9**	42.2	18.2
External customers	**68.7**	55.5	23.8
Total of shipping volume	**118.6**	97.7	21.4

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 2012	Increase/ (decrease) in installed capacity for 2013	Total installed capacity as at 31 December 2013	Equity installed capacity as at 31 December 2013
			100 million kwh	*100 million kwh*	*hours*	*g/kwh*	*RMB/mwh*	*MW*	*MW*	*MW*	*MW*
Cangdong Power	North China Power Grid	Hebei	144.3	137.1	5,726	312	362	2,520	–	2,520	1,285
Sanhe Power	North China Power Grid	Hebei	76.9	71.5	5,918	312	366	1,300	–	1,300	501
Dingzhou Power	North China Power Grid	Hebei	144.9	133.6	5,751	325	344	2,520	–	2,520	1,021
Panshan Power	North China Power Grid	Tianjin	60.3	56.5	5,854	328	394	1,030	–	1,030	469
Zhunge'er Power	North China Power Grid	Inner Mongolia	47.6	42.7	4,955	369	258	960	–	960	554
Shendong Power	Northwest/North China/ Shaanxi Provincial Local Power Grid	Inner Mongolia	216.1	196.6	5,187	358	257	4,167	–	4,167	3,657
Guohua Zhunge'er	North China Power Grid	Inner Mongolia	69.8	63.3	5,287	318	262	1,320	–	1,320	639
Guohua Hulunbei'er Power	Northeast Power Grid	Inner Mongolia	43.7	39.3	3,644	335	277	1,200	–	1,200	960
Beijing Thermal	North China Power Grid	Beijing	22.4	19.7	5,596	277	431	400	–	400	280
Suizhong Power	Northeast Power Grid	Liaoning	154.2	144.4	4,283	320	349	3,600	–	3,600	1,800
Zheneng Power	East China Power Grid	Zhejiang	276.2	262.6	6,276	304	414	4,400	–	4,400	2,640
Taicang Power	East China Power Grid	Jiangsu	80.0	76.2	6,351	306	362	1,260	–	1,260	630
Jinjie Energy	North China Power Grid	Shaanxi	150.6	138.6	6,275	329	312	2,400	–	2,400	1,680
Shenmu Power	Northwest Power Grid	Shaanxi	13.1	11.7	5,961	378	331	220	–	220	112
Taishan Power	South China Power Grid	Guangdong	264.0	248.9	5,281	313	439	5,000	–	5,000	4,000
Huizhou Thermal	South China Power Grid	Guangdong	37.2	33.9	5,642	327	449	660	–	660	660
Mengjin Power	Central China Power Grid	Henan	71.1	67.1	5,923	316	375	1,200	–	1,200	612
Chenjiagang Power	East China Power Grid	Jiangsu	87.6	83.3	6,638	298	353	1,320	–	1,320	726
Shenwan Energy	East China Power Grid	Anhui	147.7	139.4	5,680	326	364	2,600	–	2,600	1,326
Shenhua Sichuan Energy	Sichuan Power Grid	Sichuan	48.5	44.2	3,846	338	404	1,260	–	1,260	604
Fujian Energy	East China Power Grid	Fujian	54.6	51.2	4,402	351	386	1,240	–	1,240	481
EMM Indonesia	PLN (Perusahaan Listrik Negara)	Indonesia	18.1	15.9	6,031	381	420	300	–	300	210
Total for coal-fired power plants/Weighted average			2,228.9	2,077.7	5,453	323	361	40,877	–	40,877	24,847
Other power plants											
Zhuhai Wind	South China Power Grid	Guangdong	0.3	0.3	2,015	–	599	16	–	16	12
Yuyao Power	East China Power Grid	Zhejiang	18.7	18.1	2,397	232	730	780	–	780	624
Shenhua Sichuan Energy	Sichuan Provincial Local Power Grid	Sichuan	5.9	5.7	4,746	–	235	125	–	125	48

Breakdown of Coal Resources/Reserve

Mines	Recoverable coal reserve (under PRC standard)			Marketable coal reserve (under JORC standard)			Coal resources		
	As at 31 December 2013	As at 31 December 2012	Change	**As at 31 December 2012**	As at 31 December 2012	Change	**As at 31 December 2013**	As at 31 December 2012	Change
	100 million tonnes	*100 million tonnes*	*%*	***100 million tonnes***	*100 million tonnes*	*%*	***100 million tonnes***	*100 million tonnes*	*%*
Shendong Mines	**80.71**	81.14	(0.5)	**42.74**	44.52	(4.0)	**155.34**	155.65	(0.2)
Zhunge'er Mines	**34.50**	35.22	(2.0)	**20.62**	21.24	(2.9)	**41.99**	42.57	(1.4)
Shengli Mines	**14.42**	14.22	1.4	**7.61**	7.78	(2.2)	**20.88**	20.39	2.4
Baorixile Mines	**12.86**	13.21	(2.6)	**13.31**	13.62	(2.3)	**15.02**	15.26	(1.6)
Baotou Mines and others	**5.89**	7.44	(20.8)	**2.97**	3.26	(8.9)	**16.48**	17.55	(6.1)
Total of China Shenhua	**148.38**	151.23	(1.9)	**87.25**	90.42	(3.5)	**249.71**	251.42	(0.7)

Other Assets

Name

Watermark Coal Project in Australia (under plan examination)
Xinjie Taigemiao Exploration Area (applying for permits)
Ganquan Railway (under trial operation)
Bazhun Railway (under trial operation)

Railway	**Length**	**Commencement date**
	km	
Zhunchi Railway (under construction)	180	October 2011

Summary of Operations in 2013

In 2013, the management of China Shenhua adhered to its strategy, drawing upon its strength of integrated synergy, continuously optimising industrial structure, focusing on coordination of production and transportation while stepping up its efforts in marketing and sales measures refinement, and thus fulfilled the business and production target of 2013 and realised stable operating results.

Continuously growing operations

In 2013, the Company's commercial coal production volume reached 318.1 million tonnes (2012: 304.0 million tonnes (restated)), representing a year-on-year increase of 4.6% and completing 101.0% of the annual target. Coal sales volume reached 514.8 million tonnes (2012: 464.6 million tonnes (restated)), representing a year-on-year increase of 10.8% and completing 110.8% of the annual target. The Company's total power output dispatch was 210.18 billion kwh (2012: 193.46 billion kwh (restated)), representing a year-on-year increase of 8.6% and completing 102.5% of the annual target. Through capacity expansion and optimization of transportation organization, the Company achieved stable growth of transportation capability and operation volume, with transportation turnover of self-owned railway reaching 211.6 billion tonne km (2012: 176.2 billion tonne km (restated)), representing a year-on-year increase of 20.1%; seaborne coal sales volume reached 227.3 million tonnes (2012: 203.2 million tonnes (restated)), representing a year-on-year increase of 11.9%; and shipment turnover reached 114.9 billion tonne nm (2012: 82.5 billion tonne nm (restated)), representing a year-on-year increase of 39.3%. The Company acquired Baotou Coal Chemical Company. Its coal chemical products, namely polyethylene and polypropylene, recorded sales volume of 530.3 thousand tonnes (2012: 545.3 thousand tonnes (restated)), representing a year-on-year decrease of 2.8%.

Maintaining stable business performance

To address the challenging external market conditions and to offset the adverse impact resulted from declining coal price, the Company further strengthened its refined management by taking various measures including output expansion, quality improvement, materials consumption cuts, enhanced capital management and stringent control over costs and expenses, and thus notable effect was achieved in term of increase in revenue and decrease in expenses.

In accordance with the International Financial Reporting Standard, the Group's revenue for 2013 was RMB283,797 million (2012: RMB254,575 million (restated)), representing a year-on-year increase of 11.5%. Profit for the year attributable to equity holders of the Company was RMB45,079 million (2012: RMB49,708 million (restated)), representing a year-on-year decrease of 9.3%. Basic earnings per share were RMB2.266 (2012: RMB2.499 per share (restated)), representing a year-on-year decrease of 9.3%.

As at 31 December 2013, the equity attributable to equity holders of the Group per share was RMB13.92, representing an increase of 5.2% from RMB13.23 (restated) as at 31 December 2012. As at 31 December 2013, the Group's return on total assets was 10.8%. Return on net assets for 2013 was 16.3% (2012: 18.9% (restated)), representing a year-on-year decrease of 2.6 percentage points. EBITDA amounted to RMB100,614 million (2012: RMB99,567 million (restated)), representing a year-on-year increase of 1.1%. As at 31 December 2013, the Group's liability to asset ratio (total liabilities/total asset) was 34.8%, representing an increase of 1.1 percentage points from 33.7% as at 31 December 2012. Total debt to equity ratio was 21.6%, representing an increase of 3.7 percentage points as compared to 17.9% (restated) as at 31 December 2012.

Review on Consolidated Operating Results

1. *Consolidated operating results*

(1) Items of consolidated statement of profit or loss and other comprehensive income

No.	**Item**	**2013** *RMB million*	2012 (restated) *RMB million*	Percentage change %	**Main reasons for changes**
1	Revenue	**283,797**	254,575	11.5	Increase in coal sales volume, power output dispatch and material trading volume
2	Cost of sales	**202,431**	174,677	15.9	Increase in commercial coal production, power output dispatch, material trading volume and purchased coal volume
3	Selling, general and administrative expenses	**(10,118)**	(9,160)	10.5	The increase in labour costs as a result of the increased number of administrative institutions attributable to expansion of business scale
4	Other gains and losses	**(889)**	(303)	193.4	Increased loss from disposal of property, plant and equipment as well as asset impairment
5	Other income	**533**	777	(31.4)	Decrease in refund of value added tax
6	Other expenses	**(364)**	(466)	(21.9)	Decrease in donation expenses
7	Share of results of associates	**588**	477	23.3	Increase in profit from investment of the Company in associates
8	Income tax expense	**(13,704)**	(10,976)	24.9	The average income tax rate for the Group was 19.9%, representing an increase of 4.0 percentage points as compared to 15.9% of the same period of last year, mainly attributable to: in 2012, the carrying amounts of income tax payable and deferred tax assets and liabilities in 2011 were adjusted as a result of the implementation of the preferential tax policies; and the increase in profits of certain companies of power generation segment and transportation segment that were not entitled to preferential tax rates.
9	Profit for the year attributable to non-controlling interests	**10,145**	8,188	23.9	The profits from the business of power, railway and ports in which non-controlling equity holders have a relatively high proportion of interests increased during the reporting period

(2) Research and development expenditure

		2013	2012 (restated)	Changes
Expensed research and development expenditure in the period	RMB million	**703**	420	67.4%
Capitalized research and development expenditure in the period	RMB million	**836**	335	149.6%
Total research and development expenditure	RMB million	**1,539**	755	103.8%
Percentage of total research and development expenditure to net assets	%	**0.46**	0.24	Increased by 0.22 percentage point
Percentage of total research and development expenditure to revenues	%	**0.54**	0.30	Increased by 0.24 percentage point

The Group's total research and development expenditure for 2013 was RMB1,539 million, representing a year-on-year increase of 103.8% which was mainly related to the researches on safety production technologies, technologies on energy saving and emission reduction, 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[1]

Top five customers

		2013	
No.	**Name of customer**	**Revenues** *RMB million*	Percentage to revenues %
1	Guangdong Power Grid Corporation	**12,457**	4.4
2	Zhejiang Electric Power Corporation	**12,183**	4.3
3	Hebei Electric Power Corporation	**9,221**	3.3
4	State Grid Corporation of China	**8,056**	2.8
5	Zhejiang Zheneng Fuxing Fuel Co., Ltd.	**5,734**	2.0
	Total	**47,651**	16.8

The above customers did not have any affiliated relations with the Company.

(4) Major suppliers[1]

During the reporting period, the total procurement from the top five suppliers of the Company amounted to RMB29.208 billion, accounting for 17.7% of the total procurement for the year. The purchases from the largest supplier were RMB13.418 billion, accounting for 8.2% of the total procurement for the year. The above suppliers did not have any affiliated relations with the Company, and the transactions were exempted connected transactions under the Hong Kong Listing Rules.

1 The statistics include major customers and suppliers other than Shenhua Group. For details of amounts of the transactions between the Group and Shenhua Group in relation to products, labor services and financial services during the reporting period, please refer to the chapter headed "Significant Events" of the Company's 2013 annual report.

2. *Consolidated assets and liabilities*

(1) Items of consolidated statement of financial position

No.	Item	**As at 31 December 2013** Amount *RMB million*	**As at 31 December 2013** Percentage to total assets %	As at 31 December 2012 (restated) Amount *RMB million*	As at 31 December 2012 (restated) Percentage to total assets %	Percentage change %	Main reasons for changes
1	Property, plant and equipment	**262,116**	**51.1**	247,031	52.3	6.1	The newly-built railways and ports got ready for their intended use during the reporting period
2	Construction in progress	**76,065**	**14.8**	61,737	13.1	23.2	Increased investments in construction of new railways, as well as renovation and expansion projects such as construction of power plants and shipbuilding and expansion of ports
3	Exploration and evaluation of assets	**2,251**	**0.4**	2,722	0.6	(17.3)	The exchange loss arising from translating the amount of exploration rights of Australia Pty into Renminbi due to weakness in Australian dollar
4	Intangible assets	**1,446**	**0.3**	982	0.2	47.3	Mainly attributable to the increase in software
5	Deferred tax assets	**1,723**	**0.3**	1,106	0.2	55.8	Increase in deferred income tax assets due to unrealized profit and asset impairment loss
6	Inventories	**17,641**	**3.4**	15,722	3.3	12.2	Increase in coal inventory and ancillary materials and spare parts of coal segment and power segment
7	Accounts and bills receivable	**27,221**	**5.3**	20,000	4.2	36.1	Increase in receivables from coal sales and material trading, and settlement by way of bank acceptance bills
8	Prepaid expenses and other current assets	**30,274**	**5.9**	15,817	3.4	91.4	Increase in prepayments for purchased coal and material costs and increase in loans granted by Shenhua Finance Company
9	Time deposits with original maturity over three months	**1,292**	**0.3**	3,972	0.8	(67.5)	Decrease in time deposits with a maturity of over three months during the reporting period
10	Cash and cash equivalents	**38,332**	**7.5**	51,637	10.9	(25.8)	Decrease in deposits placed with and increase in loans granted by Shenhua Finance Company
11	Borrowings	**38,503**	**7.5**	28,103	6.0	37.0	Mainly attributable to the increase in short-term bank borrowings
12	Short-term debentures	**9,982**	**1.9**	–	–	N/A	Issuance of super short-term debentures

No.	Item	As at 31 December 2013 Amount *RMB million*	Percentage to total assets *%*	As at 31 December 2012 (restated) Amount *RMB million*	Percentage to total assets *%*	Percentage change *%*	Main reasons for changes
13	Medium-term notes	**4,958**	**1.0**	–	–	N/A	Issuance of medium-term notes
14	Long-term payables	**1,867**	**0.4**	9,158	1.9	(79.6)	The transfer of the long-term payables of Baotou Coal Chemical Company to long-term borrowings according to the spin-off proposal of Coal Liquefaction and Chemical Company
15	Non-controlling interests	**57,739**	**11.2**	49,968	10.6	15.6	The profits from the business of power, railway and ports in which minority shareholders have a higher proportion of interests increased during the reporting period.

As at 31 December 2013, the Group's liability to asset ratio (total liabilities/total assets) was 34.8% (31 December 2012: 33.7% (restated)), representing a year-on-year increase of 1.1 percentage points. The interest coverage ratio (profit before interest and tax/ interest expenses) was 15.82 times (2012: 16.97 times (restated)).

(2) Financial assets and liabilities denominated in foreign currencies

Unit: RMB million

Item	Balance at the beginning of the period (restated)	Gains or losses arising from change in fair value for the period	Cumulative changes in fair value reported in equity	Impairment provided for the period	Other changes in the period	Balance at the end of the period
Financial assets						
Of which: 1. Derivative financial assets	324.19	(149.69)	–	–	(68.04)	(106.46)
2. Loans and receivables	1,230.55	–	–	–	63.58	1,294.13
Sub-total of financial assets	1,554.74	(149.69)	–	–	(4.46)	(1,400.59)
Financial liabilities	7,825.05	–	–	–	(769.88)	7,055.17

(3) Charge over assets of the Group

During the reporting period, the Group has not placed any charge over its assets.

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

3. Consolidated cash flows

No.	Item	2013 *RMB million*	2012 (restated) *RMB million*	Percentage change %	Reasons for changes
1	Net cash inflow generated from operating activities	**54,288**	74,611	(27.2)	Mainly attributable to the decrease in deposits placed with Shenhua Finance Company, the increase in loans granted and the increase in operating receivables
	Of which: Net cash inflow (outflow) from the operating activities of Shenhua Finance Company [Note]	**(7,735)**	3,969	294.9	
	Net cash inflow from operating activities excluding the effects of Shenhua Finance Company	**62,023**	70,642	(12.2)	
2	Net cash outflow from investing activities	**(47,773)**	(57,840)	(17.4)	Decrease in cash payment for acquisition and construction of fixed assets and time deposits placed with banks
3	Net cash outflow from financing activities	**(19,796)**	(26,869)	(26.3)	Increase in borrowing and cash received due to issuance of bonds during the reporting period

Note: As Shenhua Finance Company provides financial services including deposits and borrowings for entities other than the Group, the item represents the cash flows of deposits and borrowings and interest, fees and commission generated by this business.

Review on Operating Results by Business Segment

Coal Segment

I. Overview of production and operations

In 2013, the Company improved production efficiency by scheduling production in a scientific manner and enhancing refined production management in accordance with its annual production plan. The Company also made further adjustments to product mix so as to increase the production volume of coal mines with high gross profit per tonne of coal and reduce the production volume of coal mines with low gross profit per tonne of coal. In addition, the Company strengthened its management of coal quality with more efforts for higher ratio of coal washing and selection. As a result, the market competitive edge of the Company's coal products was further sharpened.

(1) Coal production volume

The Company exercised moderate control over its growth in total coal production volume. Commercial coal production volume for the year reached 318.1 million tonnes (2012: 304.0 million tonnes (restated)), representing a year-on-year increase of 4.6%, which was mainly contributed by Shendong Mines, Zhunge'er Mines and Baotou Mines.

Shendong Mines (including Jinjie Mine) enhanced its management and control efforts in the whole process covering organization of mine production, coal washing and selection, coal loading, outbound shipment coordination and dispatching command, and further improved equipment utilization rates and production efficiency by strengthening refined management in equipment operation, system coordination and on-site management. Its commercial coal production volume reached 196.1 million tonnes in 2013, representing a year-on-year growth of 6.9%, mainly due to increase in production volume of Daliuta-Huojitu Mine and Bu'ertai Mine.

Heidaigou Mine and Ha'erwusu Mine, being two open-cut mines located in Zhunge'er Mines, effectively improved their production efficiency by implementing a series of measures including making reasonable adjustments to layering mining techniques and optimizing blasting parameters. The commercial coal production volume reached 61.3 million tonnes, representing a year-on-year growth of 5.0%.

Baorixile Mines resolved difficulties such as limited construction period caused by bad weather, and reasonably pushed forward stripping works, thereby ensuring continuous production. Its commercial coal production volume reached 31.4 million tonnes, representing a year-on-year growth of 3.6%.

Commercial coal production volume of Baotou Mines reached 8.3 million tonnes, representing a year-on-year growth of 107.5%, mainly due to the increase in production volume of Lijiahao Mine.

Commercial coal production volume of Shengli Mines reached 17.9 million tonnes, representing a year-on-year decline of 28.1%.

The PT.GH EMM Indonesia Project recorded commercial coal production volume of 2.0 million tonnes.

(2) Footage of advancing tunnels

During the reporting period, the coal segment of China Shenhua accomplished total footage of advancing tunnels of 707 thousand meters, representing a year-on-year growth of 1.3%. Specifically, Shendong Mines recorded total footage of advancing tunnels of 681 thousand meters, representing a year-on-year growth of 2.0%; and Baotou Mines recorded total footage of advancing tunnels of 26 thousand meters, representing a year-on-year decline of 13.2%.

(3) Environmental Protection

Upholding the philosophy of "producing environmental-friendly coal and constructing ecological mines", the Company actively launched campaigns including conservation of soil and water, land reclamation and reforestation. In 2013, the mining waste water consumption amounted to 63.2 million tonnes, representing an increase of 21.8% from 51.9 million tonnes in 2012. Both comprehensive utilization rate of coal gangue and mining waste water consumption of the Company are among the forefront in the industry. The Company invested a total of RMB379 million in conservation of soil and water and ecological construction in respect of ecological construction, thereby expanding afforested areas of 16.74 million square meters. As at the end of 2013, balance of the "accrued reclamation obligations" amounted to RMB1.973 billion, serving as strong financial guarantee for ecological construction.

II. Coal sales

In 2013, market share of the Company continuously increased as coal sales volume of the Company amounted to 514.8 million tonnes, representing a year-on-year growth of 10.8%.

In 2013, in accordance with the State's reform direction to revoke the key thermal coal contract mechanism and to implement the market-oriented thermal coal pricing policy, the Company adopted a market-oriented pricing strategy to determine its coal sales price by making reference to the Bohai Bay Thermal Coal Price Index. In 2013, the weighted average coal sales price of the Company was RMB390.7/tonne (2012: RMB427.8/tonne (restated)), representing a year-on-year decrease of 8.7%.

A. By sales types

	2013			2012 (restated)			Change	
	Sales volume *million tonnes*	**Proportion of total sales** *%*	**Price** *RMB/ tonne*	Sales volume *million tonnes*	Proportion of total sales *%*	Price *RMB/ tonne*	Change in sales volume *%*	Change in price *%*
I. Domestic sales	**503.8**	**97.9**	**385.7**	458.8	98.8	426.4	9.8	(9.5)
(1) Self-produced coal and purchased coal	**417.4**	**81.1**	**372.4**	399.8	86.1	405.0	4.4	(8.0)
1. Direct arrival	**192.8**	**37.5**	**277.4**	200.0	43.1	285.9	(3.6)	(3.0)
2. Seaborne	**224.6**	**43.6**	**453.9**	199.8	43.0	524.1	12.4	(13.4)
(2) Sales of domestic trading coal	**71.2**	**13.8**	**439.6**	48.3	10.4	566.3	47.4	(22.4)
(3) Sales of imported coal	**15.2**	**3.0**	**500.0**	10.7	2.3	595.0	42.1	(16.0)
II. Export Sales	**2.7**	**0.5**	**598.7**	3.3	0.7	744.3	(18.2)	(19.6)
III. Overseas coal sales	**8.3**	**1.6**	**623.0**	2.5	0.5	266.5	232.0	133.8
1. EMM Indonesia	**2.0**	**0.4**	**92.0**	2.0	0.4	69.3	0.0	32.8
2. Re-export trade	**6.3**	**1.2**	**787.9**	0.5	0.1	1142.7	1160.0	(31.0)
Total sales volume/weighted average price	**514.8**	**100.0**	**390.7**	464.6	100.0	427.8	10.8	(8.7)

In 2013, domestic coal sales volume of the Company amounted to 503.8 million tonnes (2012: 458.8 million tonnes (restated)), representing a year-on-year increase of 9.8% and accounting for 97.9% of the total coal sales volume. Among which, the Company's domestic seaborne coal sales volume of self-produced coal and purchased coal amounted to 224.6 million tonnes while the coal outbound shipment for domestic coal sales through China's domestic major ports was 638 million tonnes, based on which the market share of the seaborne coal of China Shenhua in coastal coal markets was estimated at approximately 35.2% (2012: 31.3% (restated)), representing a year-on-year increase of 3.9 percentage points.

In 2013, total sales volume of domestic trading coal and imported coal amounted to 86.4 million tonnes, representing an increase of 46.4% from 59.0 million tonnes (restated) in 2012, and its percentage in total sales volume grew from 12.7% (restated) in 2012 to 16.8% in 2013.

In 2013, the sales volume of the Company to the top five domestic customers of coal was 52.1 million tonnes, which accounted for 10.3% of the total domestic sales volume. Among which, the sales volume to the largest customer was 12.4 million tonnes, which accounted for 2.5% of the total domestic sales volume. The top five domestic customers of coal were primarily power generation companies.

The coal sales business of each mine of the Group is mainly coordinated by Shenhua Trading Group; and the majority of the coal products sold by the Company is thermal coal.

Shenhua Coal Trading Network (www.e-shenhua.com), the electronic coal trading platform of the Company, has effectively coordinated the production, transportation and sales of coal, thus lowering the threshold for transactions and reducing transaction costs. In 2013, the electronic coal trading platform recorded a total of 95.5 million tonnes of coal sales.

B. By internal and external customers

	2013			2012 (restated)			
	Sales volume	**Percentage**	**Price**	Sales volume	Percentage	Price	Change in price
	million tonnes	**%**	***RMB/ tonne***	*million tonnes*	%	*RMB/ tonne*	%
Sales to external customers	**422.2**	**82.0**	**397.1**	377.5	81.2	436.8	(9.1)
Sales to internal power segment	**88.4**	**17.2**	**358.8**	83.0	17.9	395.0	(9.2)
Sales to internal coal chemical segment	**4.2**	**0.8**	**265.4**	4.1	0.9	261.8	1.4
Total coal sales volume/weighted average price	**514.8**	**100.0**	**390.7**	464.6	100.0	427.8	(8.7)

In 2013, the coal sales volume of the Company to external customers amounted to 422.2 million tonnes (2012: 377.5 million tonnes (restated)), representing a year-on-year increase of 11.8%. Coal sales price to external customers decreased by 9.1% to RMB397.1/tonne from RMB436.8/tonne (restated).

In 2013, the coal sales volume of the Company to the power segment of the Group was 88.4 million tonnes (2012: 83.0 million tonnes (restated)), accounting for 17.2% of the total coal sales volume, a year-on-year decrease of 0.7 percentage point. The sales price decreased by 9.2% to RMB358.8/tonne from RMB395.0/tonne (restated).

The coal chemical segment refers to the coal chemical business of Baotou Coal Chemical Company, which was once held by Shenhua Group Corporation (the controlling shareholder of the Company) and acquired by the Company on 23 December 2013. In 2013, coal sales volume to the coal chemical segment amounted to 4.2 million tonnes.

III. Production safety

In 2013, the fatality rate per million tonnes of raw coal production of the Company was 0.0058, helping the Company to maintain its internationally leading position. Efforts in ensuring safe coal production are detailed in the 2013 CSR Report of the Company.

IV. Project progress

The inauguration of the construction project of Jinjie Digital Mine Demonstrative Project of Shendong Mines has improved informatization of mines and is instrumental to business synergy and downsizing for higher efficiency. Watermark Coal Project in Australia has completed the environmental assessment report for public opinion and responded to proposals from the public, and is currently subject to review by NSW Planning Assessment Commission and public hearing. Both Guojiawan Coal Project (with a designed capacity of 8 million tonnes/year) and Qinglongsi Coal Project (with a designed capacity of 3 million tonnes/year) have been approved by the National Development and Reform Commission, and will continue to push forward the underground mine construction. The application for the exploration license of Xinjie Mines with expected coal resource of 13 billion tonnes is being actively processed, while the overall planning of the mining area is being revised and improved.

V. Coal resources

As at 31 December 2013, the Group had coal resource of 24.971 billion tonnes and recoverable coal reserve of 14.838 billion tonnes under the PRC Standard; the Group's marketable coal reserve was 8.725 billion tonnes under the JORC Standard.

In 2013, the Company's exploration expenses amounted to approximately RMB144 million (2012: RMB215 million (restated)), which was mainly attributed to the relevant exploration expenses of the Watermark Coal Project in Australia.

In 2013, the Company's relevant capital expenditures of mining development and exploration amounted to approximately RMB8.017 billion (2012: RMB8.514 billion (restated)). The capital expenditures were mainly related to the expenditures arising from the continuation mining works and additional coal mining equipment at Shendong Mines, and the capacity expansion works of Baorixile Mines, etc.

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

No.	Mines	Major types of coal	Calorific value of major commercial coal products (kcal/kg)	Sulphur content
1	Shendong Mines	Long flame coal/non-caking coal	>5250kcal/kg	≤0.6%
2	Zhunge'er Mines	Long flame coal	>4500kcal/kg	≤0.6%
3	Shengli Mines	Lignite	>3200kcal/kg	≤0.8%
4	Baorixile Mines	Lignite	>3600kcal/kg	≤0.8%
5	Baotou Mines	Long flame coal/non-caking coal	>4300kcal/kg	≤0.8%

VI. Operating results

(I) The operating results of the coal segment of the Group before elimination on consolidation in 2013 are as follows:

		2013	2012 (restated)	**Change (%)**	**Main reasons for changes**
Revenue	RMB million	**229,342**	206,597	11.0	Increase in coal sales volume year-on-year
Cost of sales	RMB million	**188,276**	156,910	20.0	Increase in coal production volume and volume of domestically-purchased coal and trading coal
Of which:					
1. Production cost of self-produced coal	RMB million	**42,794**	39,939	7.1	
2. Production cost of coal purchased from third parties	RMB million	**73,876**	69,685	6.0	
Gross profit margin	%	**17.9**	24.1	Decreased by 6.2 percentage points	
Profit from operations	RMB million	**35,919**	45,164	(20.5)	
Profit margin from operations	%	**15.7**	21.9	Decreased by 6.2 percentage points	

(II) Unit production cost of self-produced coal

In 2013, unit production cost of self-produced coal in the coal segment was RMB136.5/tonne (2012: RMB130.2/tonne (restated)), representing a year-on-year increase of 4.8%. The main reasons affecting the unit production cost are:

A. costs of materials, fuel and power were RMB26.6/tonne (2012: RMB25.8/tonne (restated)), representing a year-on-year increase of 3.1%. This increase was mainly due to the footage extension of advancing tunnels and increasing number of relevant mining and conveying equipment resulting from the changes in mining and tunneling conditions, leading to an increase in consumption of materials and accessories;

B. staff costs were RMB15.2/tonne (2012: RMB14.5/tonne (restated)), representing a year-on-year increase of 4.8%;

C. repairs and maintenance expenses were RMB9.2/tonne (2012: RMB8.2/tonne), representing a year-on-year increase of 12.2%. The increase was mainly due to the growth in maintenance arising from rising workload of equipment;

D. depreciation and amortization were RMB18.5/tonne (2012: RMB20.7/tonne (restated)), representing a year-on-year decrease of 10.6%, which was mainly due to the adjustment of the depreciation periods of certain fixed assets so as to approximate to their service life;

E. other costs were RMB67.0/tonne (2012: RMB61.0/tonne (restated)), representing a year-on-year increase of 9.8%.The increase was mainly due to the increase in mining engineering expenses, coal washing and preparation fee and relocation compensation. Other costs consist of the following three components: (1) expenses directly related to production, including maintenance and safety expenses, coal washing, selecting and processing expenses, and mining engineering expenses, etc., accounting for 64%; (2) auxiliary production expenses, accounting for 8%; (3) land requisition and surface subsidence compensation, environmental protection expenses, fees levied by local government, etc., accounting for 28%.

(III) Cost of coal purchased from third parties

In 2013, costs of coal purchased from third parties were RMB73,876 million (2012: RMB69,685 million (restated)), representing a year-on-year increase of 6.0%.

The Company's coal purchased from third parties refers to coal purchased by the Company from third parties, including coal purchased from the surrounding areas of the self-owned mines and railways, domestic trading coal and imported coal. The main reasons for developing the business on coal purchased from third parties are to consolidate coal sales by blending coal purchased from third parties with self-produced coal and to expand market share. The sales volume of coal purchased from third parties increased to 201.2 million tonnes in 2013 from 157.8 million tonnes (restated) in 2012, representing a year-on-year increase of 27.5%, and its proportion of total sales volume increased to 39.1% in 2013 from 34.0% (restated) in 2012.

Unit purchasing cost of coal purchased from third parties decreased to RMB367.2/tonne in 2013 from RMB441.6/tonne (restated) in 2012, representing a year-on-year decrease of 16.8%.

Power segment

I. Overview of production and operations

In 2013, facing the unfavourable external factors including slowdown of national economic growth and fierce competition in the power generation market, the Company's power segment boosted its power generation volume by strengthening the management of production activities of generators and maximizing the utilisation hours of power generation facilities, explored the power market and stepped up its efforts in marketing, thereby further demonstrating the synergy effects resulting from the integration of the Group. Hence, the power segment achieved a total power output dispatch of 210.18 billion kwh, representing a year-on-year increase of 8.6%.

As of the end of 2013, the total installed capacity of the Company was 41,798 MW. The Company controlled and operated 100 coal-fired generators, with an average capacity per unit of 409 MW.

In 2013, the coal-fired generators of the Company operated in high loading ratio, with power generation of 222.89 billion kwh and average utilisation hours of 5,453 hours, 441 hours above the national average of 5,012 hours for thermal power plants during the same period.

		China Shenhua	**National**	**Difference**
Year-on-year growth in power generation of coal-fired generators in 2013	%	8.6	7.0	1.6 percentage point
Average utilization hours of coal-fired generators in 2013	hour	5,453	5,012	441

In 2013, the power segment consumed a total of 88.2 million tonnes of the Group's coal, accounting for 88.9% of the 99.2 million tonnes of the thermal coal consumption of the power segment of the Group for the year, increasing by 0.7 percentage point as compared to 88.2% (restated) of the same period of last year.

II. Environmental protection

The Company strived to improve combustion efficiency and reduce pollutant emissions. In 2013, the Company completed the denitrification renovation for 26 coal-fired generators in operation and the desulfurization renovation for two coal-fired generators. As at the end of 2013, the installed capacity of desulfurization generators of the Company amounted to 40,680 MW, accounting for 99.5% of the total capacity of its coal-fired generators. The installed capacity of denitrification generators amounted to 29,420 MW, accounting for 72.0% of the total capacity of coal-fired generators and 33.0 percentage points higher than that of last year, which has brought the Company to a leading position among its peers.

III. Project progress

In 2013, Phase I of Shenhua Chongqing Wanzhou Port and Power Integration Project (construction of 2x1,000 MW power generating units) made smooth progress, and 37.4% of the total investment of the project was completed as at the end of 2013.

Four new power projects, namely Luoyuanwan Power Plant Project in Fujian, Wucai Bay Thermal Power Plant in Xinjiang, Shenhua Hequ Power Project fuelled by low calorific value coal in Shanxi and Tuyou Power Project fuelled by low calorific value coal in Inner Mongolia (with an aggregate installed capacity of 3,900 MW) have been approved by the National Development and Reform Commission. Relevant construction will be carried out based on the approval progress of the feasibility study and preliminary design of the respective projects.

IV. Operating results

The operating results of the power segment of the Group before elimination on consolidation in 2013 are as follows:

		2013	2012 (restated)	**Change (%)**	**Main reasons for changes**
Revenue	RMB million	**78,908**	72,263	9.2	Increase in power output dispatch
Cost of sales	RMB million	**57,781**	57,191	1.0	Decrease in cost of fuel and increase in power output dispatch
Gross profit margin	%	**26.8**	20.9	Increased by 5.9 percentage points	
Profit from operations	RMB million	**18,459**	12,880	43.3	
Profit margin from operations	%	**23.4**	17.8	Increased by 5.6 percentage points	

Benefiting from the decreased fuel costs of power plants due to declined thermal coal prices, the power segment recorded better operating profitability. The gross profit margin of power segment in 2013 was 26.8% (2012: 20.9% (restated)), representing a year-on-year increase of 5.9 percentage points.

The average power tariff of the Company's thermal power plants in 2013 was RMB361/mwh, remaining the same as that of last year. The unit cost of power output dispatch was RMB267.6/mwh (2012: RMB289.6/mwh (restated)), representing a year-on-year decrease of 7.6%. The decrease was mainly due to the decrease in fuel cost.

Railway Segment

I. Overview of production and operations

In 2013, the Company further improved transport efficiency through strengthened collaboration in loading, transporting and unloading, optimized transportation arrangement and increased the number of trains with capacity of ten thousand tonnes under refined management of the railway segment, thus effectively safeguarding stable operations of the integrated business chain and realizing growth in operational performance. The launch of new high-powered locomotives and the increase in the number of trains with capacity of ten thousand tonnes continuously enhanced the capacity of Shuohuang and Shenshuo railways. In 2013, the transportation turnover of self-owned railways of the Group reached 211.6 billion tonne km, representing a year-on-year increase of 20.1%, which accounted for 80.7% of the total turnover, representing an increase of 2.8 percentage points as compared to 77.9% (restated) of 2012.

II. Project progress

Bazhun Railway, which ran dual-line operations, develops Shendong Mines and Zhunge'er Mines into a transportation network by connecting Baoshen Railway with Dazhun Railway. Zhunchi Railway, connecting Dazhun Railway and Shuohuang Railway with an overall length of 180 kilometers, has seen the construction of its northern section completed, and will pursue the construction of its southern section in the next phase. The construction of the new Huanghua South-Dajiawa Railway (which runs an overall length of 223.7 kilometers) project has been approved by the National Development and Reform Commission and preparatory work for project construction has been underway.

III. Operating results

The operating results of the railway segment of the Group before elimination on consolidation in 2013 are as follows:

		2013	2012 (restated)	Change (%)	Main reasons for changes
Revenue	RMB million	**29,969**	25,006	19.8	Increase in turnover of railway transportation
Cost of sales	RMB million	**15,102**	13,579	11.2	Increase in turnover of railway transportation
Gross profit margin	%	**49.6**	45.7	Increased by 3.9 percentage points	
Profit from operations	RMB million	**13,590**	10,283	32.2	
Profit margin from operations	%	**45.3**	41.1	Increased by 4.2 percentage points	

In 2013, the revenue generated from the internal transportation services provided by the railway segment for the Group amounted to RMB26,691 million (2012: RMB21,955 million (restated)), representing a year-on-year increase of 21.6%, accounting for 89.1% of the revenue of the railway segment (2012: 87.8% (restated)). Meanwhile, certain railway lines of the Group utilized their spare transportation capacity to provide transportation services for third parties and generated transportation revenue.

In 2013, the unit transportation cost in the railway segment was RMB0.065/tonne km (2012: RMB0.071/tonne km (restated)), representing a year-on-year decrease of 8.5%.

Port Segment

I. Overview of production and operations

In 2013, the port segment improved loading efficiency by further enhancing coordination with the coal sales, railway and shipping segments as well as optimizing workflows. Huanghua Port pushed forward dual-way navigation, optimized the stock management of the coal yard and released the capacity of the Phase III Project in a prompt manner, thus achieving safe and efficient operation. Seaborne coal of Huanghua Port amounted to 127.4 million tonnes, representing a year-on-year increase of 33.3% and seaborne coal of Tianjin Coal Dock amounted to 31.1 million tonnes, representing a year-on-year increase of 8.0%. The seaborne coal sales through the self-owned ports of the Company accounted for 70.4% of the total seaborne coal sales, representing an increase of 9.2 percentage points as compared to 61.2% in the same period of last year.

The construction of the Phase I Project of Zhuhai Coal Dock has been completed, which will serve as a new transit, distribution and dispatching base for the Group in Southern China. The preliminary approval work of the Phase IV Project of Huanghua Port, with a designed annual passing capacity of approximately 55 million tonnes, has been pursued proactively.

II. Operating results

The operating results of the port segment of the Group before elimination on consolidation in 2013 are as follows:

		2013	2012 (restated)	**Change (%)**	**Main reasons for changes**
Revenue	RMB million	**3,738**	3,042	22.9	Increase in loading and unloading volume
Cost of sales	RMB million	**1,770**	1,860	(4.8)	Decrease in dredging expenses
Gross profit margin	%	**52.6**	38.9	Increased by 13.7 percentage points	
Profit from operations	RMB million	**1,649**	848	94.5	
Profit margin from operations	%	**44.1**	27.9	Increased by 16.2 percentage points	

In 2013, the revenue generated from the internal transportation services provided by the port segment for the Group amounted to RMB3,579 million (2012: RMB2,918 million (restated)), representing a year-on-year increase of 22.7% and accounting for 95.7% of the revenue of the port segment (2012: 95.9% (restated)). The cost of internal transportation services provided for the Group was RMB1,614 million.

Shipping Segment

I. *Overview of production and operations*

Despite the continuous adverse situation of the sluggish shipping market in 2013, Shipping Company actively coordinated with the entities of the Group such as sales units, ports and power plants by flexibly arranging vessels and improving coal-loading efficiency. In 2013, the shipping volume amounted to 118.6 million tonnes, representing a year-on-year increase of 21.4%. The shipment turnover amounted to 114.9 billion tonne nautical miles, representing a year-on-year increase of 39.3%.

II. *Operating results*

The operating results of the shipping segment of the Group before elimination on consolidation in 2013 are as follows:

		2013	2012 (restated)	**Change (%)**	**Main reasons for changes**
Revenue	RMB million	**5,087**	4,320	17.8	Increase in shipment turnover
Cost of sales	RMB million	**4,686**	3,704	26.5	Increase in shipment turnover
Gross profit margin	%	**7.9**	14.3	Decreased by 6.4 percentage points	
Profit from operations	RMB million	**317**	533	(40.5)	
Profit margin from operations	%	**6.2**	12.3	Decreased by 6.1 percentage points	

In 2013, the unit transportation cost of the shipping segment was RMB0.041/tonne nautical mile (2012: RMB0.045/tonne nautical mile (restated)), representing a year-on-year decrease of 8.9%.

Coal Chemical Segment

I. Overview of production and operations

With strengthened management of production arrangement of Baotou Coal Chemical Company, relevant production facilities were operated in a safe, stable and full-capacity manner in the year, and product quality remained stable. In 2013, the coal chemical segment recorded sales of coal-to-polyethylene products of 262.4 thousand tonnes and coal-to-polypropylene products of 267.9 thousand tonnes.

With the goal of producing environmental-friendly protection green products and complying with emission standards, Baotou Coal Chemical Company strengthened the quantitative monitoring of pollutants and enhanced on-site supervision and inspection to secure the normal operation of environmental protection facilities. As a result, the coal-to-olefins project has passed the environmental protection completion verification of the State Environmental Protection Ministry during the year.

	2013		2012 (restated)		**Year-on-year change**	
	Sales volume	**Price**	Sales volume	Price	**Change in sales volume**	**Change in price**
	Thousand tonnes	***RMB/tonne***	*Thousand tonnes*	*RMB/tonne*	**%**	**%**
1. Polyethylene	**262.4**	**8,836.1**	267.7	8,227.6	(2.0)	7.4
2. Polypropylene	**267.9**	**8,746.7**	277.6	8,605.9	(3.5)	1.6

II. Operating results

(I) The operating results of the coal chemical segment of the Group before elimination on consolidation in 2013 are as follows:

		2013	2012 (restated)	**Change (%)**	**Main reasons for changes**
Revenue	RMB million	**5,990**	5,907	1.4	Increase in sales price
Cost of sales	RMB million	**4,307**	4,612	(6.6)	Decrease in depreciation expenses
Gross profit margin	%	**28.1**	21.9	Increased by 6.2 percentage points	
Profit from operations	RMB million	**1,510**	1,136	32.9	
Profit margin from operations	%	**25.2**	19.2	Increased by 6.0 percentage points	

(II) Unit production cost

	2013		2012 (restated)		**Year-on-year change**	
	Production volume ***Thousand tonnes***	**Unit production cost** ***RMB/tonne***	Production volume *Thousand tonnes*	Unit production cost *RMB/tonne*	**Change in production volume %**	**Unit production cost %**
1. Polyethylene	**269.7**	**6,112.7**	266.7	6,587.2	1.1	(7.2)
2. Polypropylene	**275.3**	**5,866.9**	277.7	6,362.7	(0.9)	(7.8)

In 2013, the unit production costs of coal-to-polyethylene products and coal-to-polypropylene products in the coal chemical segment were RMB6,112.7/tonne and RMB5,866.9/tonne respectively. The change in unit production costs was mainly due to a decrease in depreciation expenses.

Core Competitiveness

The Company principally engages in production and sales of coal, production and sales of power, railway, port and shipping transportation, as well as coal-based chemical processing business such as coal-to-olefins, etc. The Company also has a professional management team, technical staff, facilities and land use rights, all of which are relevant to the businesses engaged by the Company. The Company also possesses or is licensed to use the related patents free of charge. The core competitiveness of the Company is manifested in:

1. **Unique operation and profitability:** The integration of coal, power, transportation and coal chemical 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 by every stage of coal-based production. A unified operation chain ensures a stable and reliable supply and internal demand, and provides a relative edge for the competition for new projects, resources and markets.

   In 2013, the Company continued to strengthen the cooperation among business segments and optimize the linkage among production, transportation and sales processes to secure a sound business performance by offsetting the adverse effects brought by the weakening demand and descending coal price. With the newly added coal-to-olefins business, the advantageous edge brought by the unified operation chain has been further consolidated, perfected and developed.

2. **Coal mining rights:** The Company possesses an abundant pool of high-quality coal resources, which makes it suitable for the exploitation and operation of large-scale mechanized coal mines. As at the end of 2013, under the coal mining rights possessed and controlled by China Shenhua, it had coal resource reserve of 24.971 billion tonnes and recoverable coal reserve of 14.838 billion tonnes under the PRC Standard; the Company's marketable coal reserve was 8.725 billion tonnes under the JORC Standard.

   In 2013, the Company continued to proceed with its resource acquisition including its Xinjie Taigemiao Mines, 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 of the Company, China Shenhua's experienced management team with extensive industry knowledge continues to place the focus on the development and acquisition of coal-based integrated energy business, while handling investments in non-coal-based business with prudence.

   In 2013, China Shenhua's management team adhered to such operating principle and focused on the management and operation of the principal activities.

4. **Advanced technology and innovation:** With consistent efforts in advancing its technology and innovation, China Shenhua's technology in coal exploitation and safe production has secured a leading position in the global market, while that of clean energy power, heavy-loaded transportation, etc. has secured a leading position in the domestic market, and has preliminarily established an integrated operation system fused with technology resources in scientific decision-making, system management, research and development and transformation of achievements, as well as an innovation-driven development mode.

   In 2013, with the significant strides made by the Company through a series of significant projects of industrial technology and technological innovation such as the digitalized mine model project and the transportation technology of heavy-loaded railway, it was one of the companies to be certified as the first batch of "influential national enterprises with intellectual property rights advantages". During the reporting period, the Company was granted 399 patents, 75 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 Group is granted an option and pre-emptive right to acquire retained businesses and certain potential businesses from Shenhua Group.

   In 2013, China Shenhua completed the acquisition of the 100% equity interests in Baotou Coal Chemical Company and Jiujiang Power from Shenhua Group and its subsidiaries, and will continue to progress on new acquisitions of assets from its controlling shareholder.

Completion status of capital expenditures and plans for 2014

	Accomplishment in 2013 RMB100 million	**Plans for 2014 RMB100 million**	Percentage change of plans for 2014 to accomplishment in 2013 %	Percentage of each business plan to overall plans for 2014 %
Coal segment	85.6	**69.6**	(18.7)	13.8
Power segment	110.8	**195.0**	76.0	38.7
Transportation segment	273.0	**226.6**	(17.0)	45.0
Of which: Railway	192.7	**177.8**	(7.7)	35.3
Port	56.8	**39.0**	(31.3)	7.7
Shipping	23.5	**9.8**	(58.3)	2.0
Coal chemical business	4.5	**10.3**	128.9	2.0
Others	6.1	**2.3**	(62.3)	0.5
Total	480.0	**503.8**	5.0	100.0

Total capital expenditures of 2013 amounted to RMB48.00 billion, which were mainly used in the renovation projects for capacity expansion of Shendong Mines, construction of Zhunchi Railway and Bazhun Railway, purchase of locomotives and wagons, Phase IV Project of Huanghua Port, denitrification renovation for power plants and Phase II Project of Fujian Hongshan, etc.

Total capital expenditures of 2014 amounted to RMB50.38 billion, which were mainly used in construction of the Zhunchi and Huangda railways, acquisition of mining equipment and power plant denitrification renovation, and the Chongqing Wanzhou Port and Power Project, etc.

The current plans of the Company in relation to capital expenditures in 2014 are subject to the development of business plans (including potential acquisitions), progress of investment projects, market conditions, outlook for future operation conditions and obtaining of the requisite permissions and regulatory approvals. Unless required by laws, the Company shall not assume any responsibility for updating the data of its capital expenditure plans. The Company intends to finance capital expenditures by cash generated from operating activities, short-term and long-term borrowings, part of the proceeds from the initial public offering of A shares and other debt and equity financing.

Directors' Discussion and Analysis in relation to Future Development

Review and Prospect of Business Environment

1. Macroeconomic Conditions

Review for 2013

Addressing the complicated domestic and international economic environment in 2013, the Chinese government focused on the improvement of the quality and efficiency of economic growth to reasonably formulate an overall plan for steady growth, structural adjustment and reform promotion, enhancing national economy steadily with positive social economic progress. In 2013, the gross domestic product (GDP) of China grew by 7.7% year-on-year to RMB56,884.5 billion, and consumer price index (CPI) recorded a year-on-year increase of 2.6%, the same level of increase as that of the previous year.

Prospect for 2014

Looking into 2014, the Chinese government will continue to adhere to the key note of "Making Progress While Maintaining Stability", and thoroughly intertwine reform and innovation with all aspects of economic and social development, maintain continuity and stability in macroeconomic policies, comprehensively advance its reform, expand the scope for opening up, and adopt innovation as a driver. GDP growth is expected to be around 7.5% in 2014, with CPI increase maintaining at around 3.5%. Stability in macroeconomic development will be conducive to maintaining stability and growth in the demand for coal and other types of energy.

2. *Market environment of the coal industry*

(1) Thermal coal market in China

Review for 2013

In 2013, due to various factors including the sluggish global economy, excessive coal supply and continuous increase in imported coal, China's coal market was generally oversupplied. Coal price experienced great volatility, dropping substantially in the second and third quarters and rebounding in the fourth quarter, demonstrating a "U" shape. As at the end of 2013, the average price of Bohai Bay Thermal Coal Price Index had dropped to RMB590/tonne, representing a year-on-year decrease of RMB114/tonne.

Item	**2013**	2012	**Year-on-year change (%)**
Raw coal output (million tonnes)	**3,680**	3,650	0.8
Coal transportation by railway (million tonnes)	**2,320**	2,260	2.7
Coal import (million tonnes)	**327**	289	13.1
Coal export (million tonnes)	**7.51**	9.26	(18.9)

In 2013, due to the continuous sluggish demand, the overall profitability of coal enterprises declined, leading to a remarkable slowdown in the growth of coal production, as witnessed by suspended or reduced production in some small- or medium-sized coal mines. China produced 3.68 billion tonnes of coal in 2013, representing a year-on-year increase of 0.8%. The rate of increase represented a year-on-year decrease of 3 percentage points.

Due to the impact of various factors including the domestic economic slowdown, in 2013, China consumed 3.61 billion tonnes of coal, representing a year-on-year increase of 2.6%, basically with the same level of increase as that of the previous year.

The volume of China's coal import in 2013 was 327 million tonnes, representing a year-on-year growth of 13.1%. The increase in the volume of imported coal led to higher volatility in domestic coal price.

In 2013, as the coal market was relatively on the oversupply side, transportation of coal did not experience substantial tension in general. During the year, coal transportation volume through railways of China was 2.32 billion tonnes, representing a year-on-year increase of 2.6%. Coal outbound shipment through major ports in northern areas was 617 million tonnes, representing a year-on-year increase of 9.6%.

Prospect for 2014

In 2014, the Chinese Government will focus on maintaining steady economic development and economic growth is estimated at around 7.5%. A steady and progressive real economy will be conducive to maintaining a steady demand for coal.

The three provinces of Western China, "Three Xi" (including Inner Mongolia, Shanxi, and Shaanxi), are still main growth drivers. It is expected that domestic coal production capacity will increase in 2014. The coal production growth is, however, expected to slow down due to the implementation of environmental protection policies and control on output increase by the Chinese government.

Due to the impacts of coal demand and supply and price fluctuations in the international market, it is expected that the volume of imported coal will increase slightly in 2014.

To effectively tackle environmental problems, the central government of China will take further proactive measures to speed up the adjustment to the energy structure and to encourage the use of clean energy. In the long run, it is conducive to the promotion of clean use and clean development of coal.

The tension in railway transportation over the past two years will be eased to a certain extent. As regions with increased coal production are concentrated, transportation capacity is expected to be under stress at certain periods in 2014.

Demand for coal is expected to witness a slower growth in 2014. However, due to various factors including the strengthened production capacity and the volume of imported coal remaining high, the coal market will continue to see an oversupply in 2014, with regional or occasional coal surplus or deficit.

(2) Thermal coal market in Asia Pacific region

Review for 2013

In 2013, dragged by international economic conditions, coal demand was relatively weak while supply continued to increase. Supply in the international coal market was ample, pushing coal prices down. The spot price of Australian BJ thermal coal lowered from US$94.45/tonne at the beginning of 2013 to US$86.35/tonne at the end of the year. The market witnessed an overall oversupply due to the depressed demands from traditional coal importing countries.

In 2013, Australia exported a total of 358 million tonnes of coal, representing a year-on-year increase of 13.5%. Indonesia exported 295 million tonnes of coal, representing a year-on-year increase of 9%. Russia expanded its coal export scale to a total of 142.90 million tonnes, representing a year-on-year increase of 12.6%. The United States exported 108.66 million tonnes of coal, representing a year-on-year decrease of 4.7%.

The coal demand growth in the Asia Pacific region was mainly contributed by China and India. In 2013, India imported 152 million tonnes of thermal coal, representing a year-on-year growth of 21%. Japan and South Korea maintained a stable level of coal import. Japan imported 191 million tonnes of coal, representing a year-on-year increase of 3.4%; South Korea imported 118 million tonnes of coal, representing a year-on-year increase of 0.4%.

Prospect for 2014

The coal supply in the Asia Pacific region will continue to increase in 2014. Major suppliers will be Indonesia and Australia. The supply from Russia, Mongolia Republic, the United States and other countries will witness a growing trend.

China and India will remain to be major coal consuming countries in 2014, but the growth in coal import will slow down. The coal consumption in countries such as Japan and South Korea is expected to remain steady in general.

In 2014, it is expected that on the basis of an oversupply in the international coal market, coal prices will remain stable on the whole and exhibit seasonal fluctuations.

(3) *Market environment of the power industry*

Review for 2013

In 2013, power consumption in China was 5,322.3 billion kwh, representing a year-on-year growth of 7.5%. The power supply and demand in China were in overall balance, and could safely and steadily meet the demands at peak periods in summer. The growth in monthly power consumption in China increased in the beginning and fell subsequently, as witnessed by the gradual increase from 1.9% in March to 13.7% in August and the continuous decline since September.

In 2013, the power consumption of the primary industry remained stable basically, with a year-on-year growth of 0.7%; the power consumption of the secondary industry saw a year-on-year growth of 7.0%, lower than that of GDP; the power consumption of the tertiary industry and urban and rural residents saw a year-on-year growth of 10.3% and 9.2% respectively, maintaining a high level of growth.

Due to the uncommon hot weather, the power consumption demand in the third quarter was maintained at a high level. With the reduction in hydropower output, the annual utilization hours of thermal power equipment reached 5,012 hours, representing a year-on-year increase of 30 hours.

As at the end of 2013, the national installed capacity of thermal power generators amounted to 862 million kw, representing an increase of 36.8 million kw over that at the end of 2012, or an increase of 4.4%. Power generation through hydropower and new energies grew rapidly, with hydropower installed capacity of 29.93 million kw added in 2013, or an increase of 12.3% over that at the end of 2012. Installed capacity of wind power, solar power and nuclear power increased by 24.5%, 335.0% and 16.2% respectively from those at the end of 2012; and output power dispatch grew 36.3%, 143.0% and 14.0% respectively year-on-year, significantly higher than the national growth in total output power dispatch.

Prospect for 2014

The progressive macroeconomy in 2014 will be conducive to growth in electricity demand in China, but due to factors such as environmental protection and energy saving policies, and the high base in the summer peak in 2013, electricity consumption growth of China is expected to slow down in 2014.

On the basis of adjusting energy structure and implementing environmental protection policies, clean energy will witness good development opportunities. It is expected that hydropower, nuclear power, wind power and solar power will maintain rapid growth in 2014.

The thermal energy investment was RMB92.8 billion in 2013, representing a year-on-year decrease of 7.4%, and continued the gradual downward trend since the "11th Five-Year Plan". It is expected the growth in the number of generators commencing operation will continue to slow down in 2014, which is conducive to steadily raising the utilization hours of thermal power generators.

In 2014, on the basis of stabilising growth and adjusting structure, power supply and demand in China will be in overall balance in 2014, and power consumption will maintain a stable development.

Development Strategy

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

China's consistent economic growth, industrialization and urbanization will drive the demand for energies such as coal and power and the development of related businesses.

With the significance of coal in China's energy reserve and consumption structure remaining unchanged in the foreseeable future, new development opportunities are brought by the price reforms of energies such as 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.

Macroeconomic requirements of acceleration of the transformation of economic growth pattern and adjustment of the economic structure, and reform of the transportation industry will catalyze business upgrade and will be beneficial to the new growth in transportation and logistics industry.

Against the backdrop of the coexistence of diminishing demand growth of coal and sustained rapid growth of production capacity, promoting the development of coal chemical business will be beneficial to combating overcapacity of coal supply. Such solution is also an inevitable choice for PRC coal enterprises during the period of transformation and upgrading.

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

(II) China Shenhua's main challenges ahead:

The structural change brought by the control of total energy consumption and non-traditional fossil fuels and new energy sources will affect the potential development of coal and coal-fired power in overall energy sources; various factors, including the relatively excessive supply, the increase in net coal import and the decrease in coal demand growth will add fluctuations to coal market and coal prices to some extent.

With regard to the tightening regulations on energy and the environment, the potential risks encountered by energy development in terms of environmental and ecological protection will gradually increase; by issuing the "Air Pollution Prevention and Control Action Plan" and "Implementation Rules of Action Plan against Air Pollution in Beijing, Tianjin, Hebei and Surrounding Areas", the government begins to carry out regional coal consumption cap pilot schemes, which will limit the total demand for coal. The entry requirements for coal exploitation and coal-fired power development and standards for energy saving and environmental protection and production safety, etc. are tightening, thus the approval of projects and rights will become more difficult.

The government steps up its efforts to adjust the power structure, and imposes a strict limit on the newly-installed capacity of coal-fired power; regulatory trends in quota on renewable energy sources and domestic compulsory carbon-emission reduction, as well as the reform of the pricing mechanisms for coal and power, will bring future uncertainties.

Restraints on water resources and significant investment in basic infrastructure are the key factors that hinder the development of the coal chemical business.

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 **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 and promote synergy among principal businesses, so as to enhance its competitiveness, profitability and risk resilience capacity. Meanwhile, China Shenhua will fulfill its social responsibilities and build itself into a reputable international company and create more value for its shareholders.

Stick to the principle that coal is the basis of the Company's integrated development. On the premise of ensuring production safety, the Company will strengthen production of its self-produced coal, augment its production capacity, construct new mining areas, coordinate its suppliers of purchased coal and realize the sustainable development of coal production. Meanwhile, the Company will further implement its 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, energy portfolio and development as well as extending the utilization of self-consumed coal and raising the proportion of clean energy sources for power generation. By leveraging on the advantages brought by the integration of coal, power and transportation, the Company will develop an integrated project of coal, power, port and storage along the coastal areas in East China, innovate the integration of coal and power in North-west China, set up an integrated 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.

Speed up the development of transportation business. Transportation is a pillar business which converts the Company's resource advantage into a development advantage. Grasping any suitable opportunities to speed up the 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.

Develop coal chemical business in an appropriate manner. The Company will promote the development of its coal chemical business according to national policies and its own capacity, with a focus on improving the "safety, stability and full-loading" of projects and enhancing profitability. Taking strategic security of national energy and national layout of development priority zones as major considerations, the Company will deploy itself in more resourceful areas with higher water resource and environmental carrying capacity according to the overall development strategy of the coal business of China Shenhua.

Reasonably plan overseas development and proactively explore new businesses. The Company will improve its current overseas projects and coal import businesses in an active yet prudent manner after thorough planning and research. Basing on business integration, it will also nurture new economic growth poles 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 Targets for 2014

In 2014, striving to "make progress while maintaining stability, be innovative and build itself into a world first-class enterprise", the Company will step up its effort on cost control and implement countermeasures against risks to bring into full play the advantages of its integrated business model. 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, accelerating the railway capacity expansion projects and construction of new railways with multiple measures to tap on capacity and mitigate the bottleneck of transportation, and stabilising the operation of its coal-to-olefins operations. The Company strives to accomplish its business targets for 2014 through coordinating and balancing growths in production, transportation and sales, and stepping up on efforts in control over expenditure and consumption.

Item	**Unit**	**Target of 2014**	Accomplishment in 2013	Target of 2013 (Adjusted)	Percentage change of the target of 2014 to the accomplishment in 2013 (%)
Commercial coal production	million tonnes	**318.1**	318.1	315.0	–
Coal sales	million tonnes	**514.8**	514.8	464.6	–
Power output dispatch	billion kwh	**210.18**	210.18	205.00	–
Revenues	RMB100 million	**2,741**	2,837.97	2,568	(3.4)
Cost of sales	RMB100 million	**2,077**	2,024.31	1,803	2.6
Total of selling, general and administrative expenses and net finance costs	RMB100 million	**135**	123.06	119	9.7

Note: The above business targets are subject to risks, uncertainties and assumptions. Actual outcome may differ materially from these statements. Such statements do not constitute actual commitments to investors. Investors should be aware that undue reliance on or use of such information may lead to investment risks.

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 of the profit distribution policy. 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.

During the reporting period, the Company has made amendments to its Articles of Association according to the securities regulatory requirements and established specific standards and proportion of cash dividend. With full respect to the opinions of shareholders, especially the minority shareholders, the said amendments have been endorsed by independent directors and approved by the Board and general meeting of the Company through legitimate procedures.

Dividend	Distribution date	Dividend per share (inclusive of tax)	Total dividend (inclusive of tax)	Net profit for the indicated year attributable to equity holders of the Company (Not restated)	Ratio
		RMB per share	*RMB million*	*RMB million*	*%*
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
Final dividend for 2012	July and August 2013	0.96	19,094	47,661	40.1

Profit distribution plan for the reporting period

1. Net profit attributable to equity holders of the Company for 2013 under the Accounting Standards for Business Enterprises amounted to RMB45.678 billion, with basic earnings per share of RMB2.297/share; profit for the year attributable to equity holders of the Company under the International Financial Reporting Standards amounted to RMB45.079 billion, with basic earnings per share of RMB2.266/share. As at 31 December 2013, the retained earnings which is available for distribution to shareholders of the Company was RMB107.284 billion. The Board recommends the payment of a final dividend for 2013 of RMB0.91 per share (inclusive of tax), totalling approximately RMB18.1 billion (inclusive of tax), which represents 39.6% of net profit attributable to equity holders of the Company under the Accounting Standards for Business Enterprises and 40.2% of profit attributable to equity holders of the Company under the International Financial Reporting Standards.

   The abovementioned plans are in compliance with the requirement of the Articles of Association and endorsed by the independent directors and approved by the Board of the Company. The Company will hold the 2013 annual general meeting on 27 June 2014 (Friday) to consider and approve the relevant resolutions, including the above final dividend for the year 2013 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 28 May 2014 (Wednesday), the shareholders of A shares of the Company and the proxies of shareholders as registered in the China Securities Depository and Clearing Corporation Limited Shanghai Branch are entitled to attend and vote at the 2013 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 2013 after the annual general meeting of 2013 to determine the record date and ex-rights date for final dividend distribution to holders of A shares for the year 2013.

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 28 May 2014 (Wednesday) to 27 June 2014 (Friday) (both days inclusive) to determine the identity of the shareholders of H shares who are entitled to attend and vote at the 2013 annual general meeting. In order to be eligible for attending and voting at the 2013 annual general meeting, shareholders of H shares shall lodge the share certificates and the instruments of transfer with Computershare Hong Kong Investor Services Limited, the Company's share registrar for H shares no later than 4:30 pm on 27 May 2014 (Tuesday) to effect the transfer of shares.

   (2) The register of members will be closed from 7 July 2014 (Monday) to 11 July 2014 (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 2013. In order to be eligible for receiving the proposed 2013 final dividend, shareholders of H shares shall lodge the share certificates and the instruments of transfer with Computershare Hong Kong Investor Services Limited, the Company's share registrar for H shares no later than 4:30 pm on 4 July 2014 (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 would appear on the register of members for H shares of the Company on 11 July 2014.

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 payable to 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 entered into between their countries of residence 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 have 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 have 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 have 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 have 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 11 July 2014 as the criterion in determining the residence of the individual shareholders of H shares, and withhold and pay individual income tax accordingly. 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 at or before 4:30 pm on 4 July 2014 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 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 11 July 2014.

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 2013, the Company has been in full compliance with the principles and code 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. During the reporting period, there is no change of the chairman and members of the Strategy Committee.

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. During the reporting period, there is no change of the chairman and members of the Audit Committee.

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 plan of the Company for the year;

(2) to supervise the system and implementation of internal audit, 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 applicable 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 make recommendations 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 Audit Committee should liaise with the Board, the President, other senior management and the qualified accountants of the Company. The Audit Committee must meet with the external auditors of the Company at least once a year. Members of the Audit Committee should consider any significant or unusual items that are, or 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 examine 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 on its own initiative or as designated by the Board 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 Company, 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 2013, the Audit Committee held ten meetings, and all members attended all meetings in person.

The Audit Committee has performed necessary procedures for the preparation of the 2013 annual report of the Company:

1. On 13 November 2013, before the accounting firm for 2013 proceeded with on-site auditing, the Audit Committee had communicated with the accounting firm to determine the timing of the Company's 2013 audit, and reviewed the Company's plans for the audit and internal control inspection and assessment for 2013.

2. On 5 March 2014, after the accounting firm had issued its preliminary audit opinions, the Audit Committee reviewed the unaudited China Shenhua Energy Company Limited 2013 Assessment Report on Internal Control (Draft) and China Shenhua Energy Company Limited 2013 Financial Statements (Draft) prepared by the Company.

3. On 14 March 2014, the Audit Committee received a briefing by the management of the Company on the accounting policies and the preparation of the financial statements.

4. On 14 March 2014, the Audit Committee voted on the audited financial statements, the assessment report on internal control and the corporate social responsibility report for the year 2013 and agreed to submit these reports to the Board for consideration. The accounting firm completed all audit procedures within the agreed time and intended to issue a standard unqualified audit report for 2013 to the Audit Committee.

The Audit Committee discussed independently with the external auditors and no inconsistency was found in the briefings by the management.

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. During the reporting period, there is no change of the chairman and members of the Remuneration Committee.

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 delegated 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, ensures that none of the directors or any of their associates can determine their own remuneration; and carries 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 Mr. Guo Peizhang, Dr. Zhang Xiwu and Ms. Fan Hsu Lai Tai. During the reporting period, there is no change of members of the Nomination Committee. Mr. Guo Peizhang has served as the chairman since October 2013 in succession to Dr. Zhang Xiwu.

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. During the reporting period, there is no change of the chairman and members of the Safety, Health and Environment Committee.

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; make recommendations 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 2013, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any securities of the Company as defined in the Hong Kong Listing Rules.

ANNUAL REPORT

The 2013 annual report will be published on the website of the Hong Kong Stock Exchange in due course.

The 2013 annual report, which contains consolidated financial statements for the year ended 31 December 2013, with an unqualified auditors' 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 controlling subsidiaries
Branches and Subsidiaries	Branches and controlling subsidiaries of the Company
Shendong Coal Group Corporation	Shenhua Shendong Coal Group Co., Ltd.
Shendong Coal Group	the corporation conglomerate consisting of Shenhua Shendong Coal Group Co., Ltd. and its subsidiaries
Shendong Coal Branch	Shendong Coal Branch of the Company
Guohua Power Branch	Guohua Power Branch of the Company
Guohua Power Company	Beijing Guohua Power Company Limited
Shenhua Guoneng Group	Shenhua Guoneng Group 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.
Baotou Coal Chemical Company	Shenhua Baotou Coal Chemical 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.
Shenhua Sichuan Energy Company or Bashu Power	Shenhua Sichuan Energy Company Limited, formerly known as Shenhua Bashu Power Co., Ltd.
Shenwei Branch	Railway Track Mechanichal Maintenance Branch of the Company
Logistics Group	Shenhua Logistics Group Corporation Limited
Shenhua 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.
Jiujiang Power	Shenhua Guohua Jiujiang 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 foreign investors with the approval of CSRC and listed on the Hong Kong Stock Exchange, and denominated in Renminbi and 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	Renminbi, unless otherwise specified

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

Beijing, 28 March 2014

As at the date of this announcement, the Board comprises 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. Guo Peizhang as independent non-executive Directors.