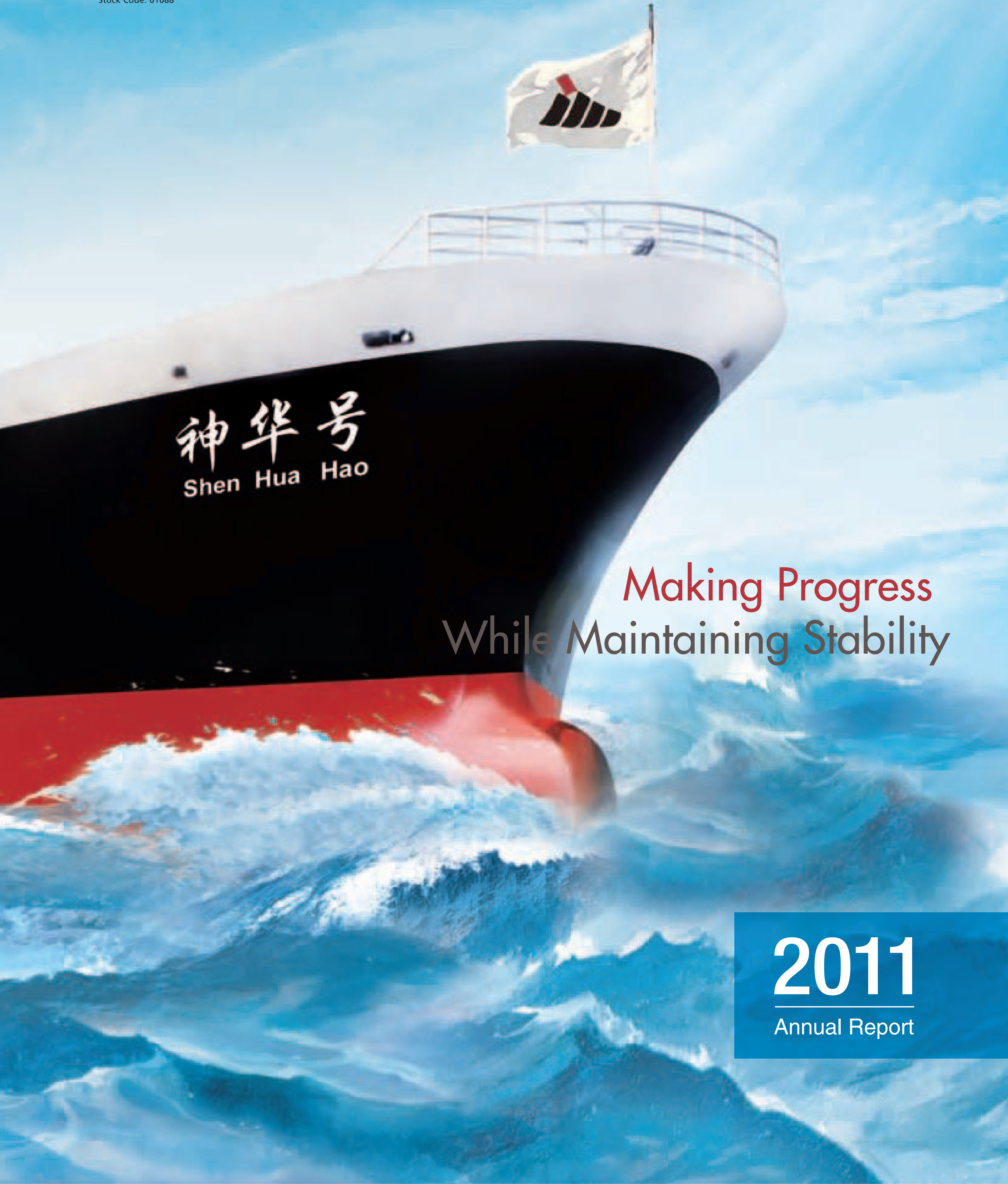
中国神华能源股份有限公司

CHINA SHENHUA ENERGY COMPANY LIMITED

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

Stock Code: 01088



Making Progress While Maintaining Stability

2011 Annual Report

Cover Story: MAKING PROGRESS WHILE MAINTAINING STABILITY

In 2011, against the backdrop of steady and relatively fast economic growth of the PRC, China Shenhua, through accelerating the transition of development mode, enhancing integrated capability, pressing ahead with safety production, strengthening cost control and implementing mergers and acquisitions, achieved efficiency improvement and continuous healthy development.

In 2012, encountering more arduous and complicated operating environment and uncertain economic outlook, the Company is likely to face elevated operating pressures while its integrated competitive edge will become more outstanding. By following the operating strategy of "making progress while maintaining stability", the board of directors of the Company has formulated the operating target for 2012 with an aim to realize steady and healthy operation. Adhering to the development strategy of "building the Company into a world first-class coal-based integrated energy company with global competitiveness", China Shenhua will further improve its core corporate competitiveness so as to create more value for all shareholders.

Important Notice

The board of directors, supervisory committee and directors, supervisors and senior management of the Company warrant that this report does not contain any misrepresentations, misleading statements or material omissions, and jointly and severally accept full responsibility for the authenticity, accuracy and completeness of the information contained in this report.

This report was reviewed and approved at the 23rd meeting of the second session of the board of the Company. All of the nine eligible directors of the Company were present at the meeting.

KPMG Huazhen has issued standard unqualified auditor's report to the Company under the China CPA Auditing Standards, in connection with the Company's 2011 financial statements prepared under Accounting Standards for Business Enterprises. KPMG has issued standard unqualified independent auditor's report to the Company under the Hong Kong Standards of Auditing, in connection with the Company's 2011 financial statements prepared under International Financial Reporting Standards.

There is no appropriation of the Company's funds for non-operational purpose by any controlling shareholders or its subsidiaries. There is no violation of decision-making procedures by the Company in providing external guarantees.

As at 25 February 2011, the Company's acquisition of the equity interests or assets of 10 subsidiaries engaged in coal, power and related businesses ("Target Companies") directly or indirectly held by the controlling shareholder of the Company, Shenhua Group Corporation, and its subsidiaries was approved at the 2011 First Extraordinary General Meeting of the Company. Details are set out in the announcement regarding resolutions of the 2011 First Extraordinary General Meeting of the Company. The transactions of the above-mentioned acquisitions were completed during the reporting period. As the Company and Target Companies are controlled by Shenhua Group Corporation, the above-mentioned acquisitions have been reflected as business combinations under common control. Accordingly, the financial statements of the relevant period prior to the above-mentioned acquisitions have been restated in this report. The operational data of the relevant period prior to the above-mentioned acquisitions are restated in this report in line with the finanical data.

Dr. Zhang Xiwu, Chairman of the Company, Ms. Zhang Kehui, Chief Financial Officer, and Mr. Hao Jianxin, General Manager of the Financial Department of the Company, warrant the authenticity and completeness of the financial statements contained in the annual report.

There are certain forward-looking statements in this report made on the basis of subjective assumptions and judgments on future policy and economy, which are subject to risks, uncertainties and assumptions. Actual outcome may differ materially from the above-mentioned forward-looking statements. Investors should be aware that undue reliance on or use of such information may lead to risks of investment.

Contents

Results Highlights

Operational

		2011	2010 (Restated)	Percentage change %
Commercial coal production	(Million tonnes)	**281.9**	245.6	14.8
Coal sales	(Million tonnes)	**387.3**	313.1	23.7
Of which: Export	(Million tonnes)	**5.6**	10.3	(45.6)
Turnover of self-owned railway transportation	(Billion tonne km)	**162.3**	150.3	8.0
Seaborne coal	(Million tonnes)	**210.1**	170.5	23.2
Of which: Huanghua Port	(Million tonnes)	**95.7**	87.2	9.7
Shenhua Tianjin Coal Dock	(Million tonnes)	**25.5**	22.5	13.3
Shipping volume	(Million tonnes)	**80.6**	25.9	N/A
Shipment turnover	(Billion tonne nautical miles)	**71.5**	21.9	N/A
Gross power generation	(Billion kwh)	**179.97**	141.46	27.2
Total power output dispatch	(Billion kwh)	**167.61**	131.69	27.3

Note: The shipping volume and turnover for 2010 refer to the period from July to December 2010.

		As at 31 December 2011	As at 31 December 2010	Percentage change %
Recoverable coal reserve (under PRC standard)	(100 million tonnes)	**152.54**	114.73	33.0
Marketable coal reserve (under JORC standard)	(100 million tonnes)	**93.46**	72.82	28.3

Financial

		2011	2010 (Restated)	Percentage change %
Revenues	(RMB million)	**208,197**	157,662	32.1
Profit for the year	(RMB million)	**52,509**	44,469	18.1
Profit attributable to equity shareholders of the Company for the year	(RMB million)	**45,677**	38,834	17.6
Basic earnings per share	(RMB per share)	**2.296**	1.952	17.6
Final dividend for the year (inclusive of tax)	(RMB per share)	**0.90**	0.75	20.0

Note: The final dividend for the year 2011 (inclusive of tax) is proposed by the Board and is subject to the approval at the general meeting of the Company.

		As at 31 December 2011	As at 31 December 2010 (Restated)	Percentage change %
Total assets	(RMB million)	**401,077**	372,131	7.8
Total liabilities	(RMB million)	**136,763**	134,704	1.5
Total equity	(RMB million)	**264,314**	237,427	11.3
Of which: Equity attributable to equity shareholders of the Company	(RMB million)	**225,822**	205,113	10.1
Equity attributable to equity shareholders per share	(RMB per share)	**11.35**	10.31	10.1

Unless otherwise specified, in this report:

- Coal production figures are quoted in tonnes of commercial coal;
- All financial figures are denominated in RMB;
- All prices are quoted exclusive of value-added tax; and
- All relevant terms used in this report and their definitions are contained in the section headed "Definitions" in this report.

Company Profile

(1) Information of the Company

Statutory Chinese Name of the Company	中國神華能源股份有限公司
Abbreviation of Statutory Chinese Name of the Company	中國神華
Statutory English Name of the Company	China Shenhua Energy Company Limited
Abbreviation of Statutory English Name of the Company	CSEC/China Shenhua
Legal Representative	Zhang Xiwu
Authorised Representatives	Ling Wen, Huang Qing

(2) Contacts and Contact Methods

	Secretary to the Board of Directors and Company Secretary	Representative of Securities Affairs
Name	Huang Qing	Chen Guangshui
Address	22 Andingmen Xibinhe Road, Dongcheng District, Beijing (Postal Code: 100011)	22 Andingmen Xibinhe Road, Dongcheng District, Beijing (Postal Code: 100011)
Tel	(8610) 5813 3399	(8610) 5813 3355
Fax	(8610) 5813 1804/1814	(8610) 5813 1804/1814
E-mail	1088@csec.com	1088@csec.com

	Investor Relations Department of the Company	Hong Kong Office of the Company
Address	22 Andingmen Xibinhe Road, Dongcheng District, Beijing (Postal Code: 100011)	Room B, 60th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong
Tel	(8610) 5813 3399/3355/1088	(852) 2578 1635
Fax	(8610) 5813 1804/1814	(852) 2915 0638
E-mail	ir@csec.com	–

(3) Particulars

Registered and Office Address	22 Andingmen Xibinhe Road, Dongcheng District, Beijing (Postal Code:100011)
Website on the Internet	http://www.csec.com or http://www.shenhuachina.com
Registration Number of Corporate Business Licence	100000000039286
Tax Registration Number	Jing Shui Zheng Zi No.110101710933024
Organisation Code	71093302-4
Date and Location of the First Business Registration	8 November 2004, Beijing
Date and Location of the Latest Change in Business Registration	8 August 2011, Beijing

(4) Information Disclosure and Location for Document Inspection

Designated Newspapers for Information Disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Internet website designated for publishing regular reports	http://www.sse.com.cn and http://www.hkex.com.hk
Regular reports are available at	Investor Relations Department and Hong Kong Office of the Company

(5) Basic Information on Shares of the Company

	A Share/PRC	H Share/Hong Kong
Listing Place	Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited
Abbreviation	China Shenhua	China Shenhua
Stock Code	601088	01088
Listing Date	9 October 2007	15 June 2005

(6) Other Related Information

		A Share/PRC	H Share/Hong Kong
Auditor	Name	KPMG Huazhen	KPMG
	Signing Auditor	Gong Weili, Wang Xia	–
	Address	8th Floor, Office Tower E2, Oriental Plaza, 1 East Chang An Avenue, Beijing	8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
Legal Advisor	Name	King & Wood	Herbert Smith
	Address	40th Floor, Office Tower A, Beijing Fortune Plaza, 7 Dongsanhuan Zhonglu, Chaoyang District, Beijing	23rd Floor, Gloucester Tower, 15 Queen's Road Central, Hong Kong
Share Registrar and Transfer Office	Name	China Securities Depository and Clearing Corporation Limited Shanghai Branch	Computershare Hong Kong Investor Services Limited
	Address	36th Floor, China Insurance Building, 166 Lu Jia Zui Dong Lu, Pudong New Area, Shanghai	Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
The Sponsors and Sponsor Representatives who are continuously fulfilling supervisory duties during the reporting period	Name	China International Capital Corporation Limited	China Galaxy Securities Co., Ltd
	Sponsor Representatives	Fang Baorong, Zhang Lu	Zheng Wei, Lu Yu
	Address	27th and 28th Floor, China World Tower Two, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing	2-6/Floor, Tower C, Corporate Square, No. 35 Financial Street, Xicheng District, Beijing

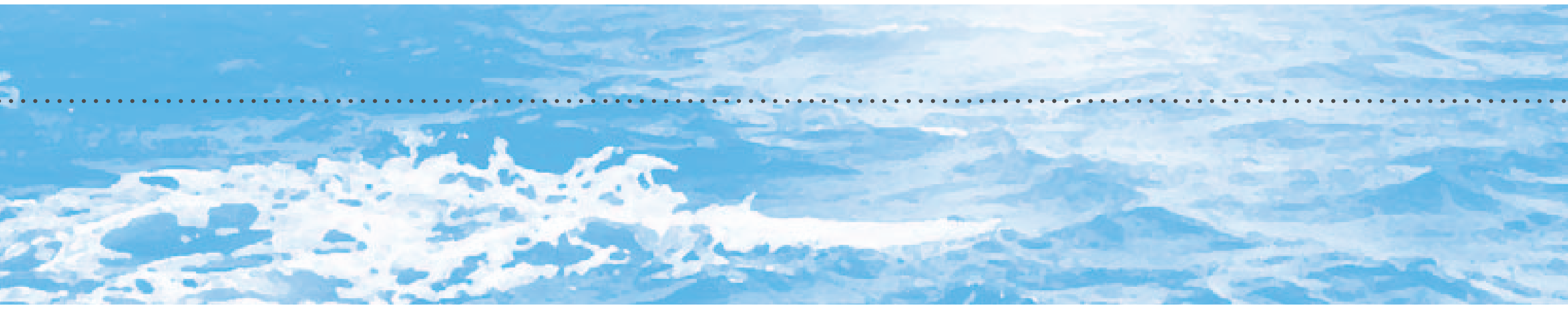
Chairman's Statement

Dear Shareholders,

On behalf of the board of directors, I am delighted to present the 2011 annual report of China Shenhua and report to all shareholders on the Company's performance for the year.

In 2011, on the basis of rapid and steady growth of the overall economy in the PRC, China Shenhua improved operating efficiency and achieved continuously healthy development. Adhering to the development strategy of the Company, the board of directors of China Shenhua pursued its core philosophy of value creation. The Company made great efforts to step up transition of development mode, enhance integrated capabilities, strengthen safe production, reinforce cost control and implement mergers and acquisitions.

As at 31 December 2011, the market capitalization of China Shenhua reached USD81.03 billion[Note], ranking the first among listed coal companies worldwide and the fourth among listed integrated mining companies worldwide.



[Note] Exchange rate: RMB to USD is 1:0.1587, HKD to USD is 1:0.1287

Zhang Xiwu

Chairman

Continued to Reach Outperforming Results both in Production and Operation and Created More Returns for All Shareholders

In 2011, the Company realised balanced development of its business segments namely coal, power, railway, port and shipping:

- The production volume of commercial coal reached 281.9 million tonnes and sales volume reached 387.3 million tonnes, representing a year-on-year growth of 14.8% and 23.7% respectively.

- The total power output dispatch reached 167.61 billion kwh, representing a year-on-year increase of 27.3%; the total installed capacity of power generators reached 37,153 MW, representing a year-on-year increase of 29.8% as compared with the beginning of the year.

- The transportation turnover of self-owned railway was 162.3 billion tonne km, representing a year-on-year increase of 8.0%, and the seaborne coal sales volume reached 210.1 million tonnes, representing a year-on-year increase of 23.2%; shipping volume reached 80.6 million tonnes.

- Revenues amounted to RMB208.197 billion, representing a year-on-year increase of 32.1%.

- Profit attributable to equity shareholders of the Company for the year was RMB45.677 billion, representing a year-on year increase of 17.6%.

- Basic earnings per share were RMB2.296, representing a year-on-year increase of 17.6%.

- Net cash generated from operating activities was RMB70.665 billion, representing a year-on-year increase of 20.6%.

The coal segment achieved balanced and efficient production and carried out capacity expansion projects actively. Shendong Mines promoted the application of fully-mechanized and large-scale working face mining technology. With strengthened quality management, Shendong Mines made great strides in steady and efficient production and improved the quality of commercial coal. The reconstruction and capacity expansion projects in Jinjie mine successfully completed and reached the designed capacity. Huangyuchuan mine has entered pre-production preparatory phase. Zhunge'er Mines tapped into the potential of its production capacity, with further increase in the production volume of commercial coal. The capacity expansion projects in Heidaigou and Ha'erwusu mine were progressing smoothly with steady enhancement of production capacity. Shengli Mines and Shenbao mine stepped up its efforts in management of production, equipment and safety, which resulted in a relatively higher growth rate of production of commercial coal. Shengli Mines commenced pilot production upon completion of its capacity expansion project, while the preparatory work for the capacity expansion of Shenbao mine was well in progress. The mining license and permits application and the planning, pre-construction preparation work of Xinjie Taigemiao Exploration Area for the modernized new mines with annual capacity of 100 million tonnes were making smooth progress. Watermark Coal Project in Australia commenced the preparation of its environmental assessment report with monumental progress achieved in the overall planning of the mining area, etc. The integrated coal and power project in South Sumatra, Indonesia had been put into operation.

The power segment accelerated the pace of development and further improved its efficiency. The management of operation of the power business was strengthened so as to further increase the utilization hours of power generators and improve efficiency. In 2011, the average utilization hours of coal-fired generators were 5,914 hours, 620 hours above the average of thermal power plants of the PRC; and the net increase in installed capacity of power generators of the Company reached 8,520 MW.

The transportation segment steadily launched capacity expansion projects. Through various refined management measures, it tapped into the potential capacity of the existing railway. Shenshuo Railway further expanded transportation capacity by optimizing operational management, launching more trains with individual capacity of 10,000 tonnes and carrying out station renovations. The construction of new railways were pressed forward and the capacity expansion projects of Dazhun Railway, the new Ganquan Railway, Bazhun Railway and Zhunchi Railway were carried out steadily as planned. The seaborne coal sales volume of Huanghua Port was approximately 100 million tonnes in 2011 and its capacity expansion project witnessed smooth progress, leading to further enhancement of port capacity and overall functions.

Results of Injected Assets Increased Substantially, Mergers and Acquisitions Made Considerable Progress

The results of the assets injected in the beginning of 2011 by the controlling shareholder registered significant growth. During the reporting period, the net profit attributable to equity shareholders of the parent of the injected assets amounted to RMB1.656 billion under Accounting Standards for Business Enterprises, representing a year-on-year growth of 66.8%. The Company actively adopted Shareholders' opinions and disclosed the relevant information on the operation and risk control of Shenhua Finance Company in its regular reports. In the second half of 2011, the Company initiated a new round of asset injection. Approval for such acquisition was obtained from the board of directors in March 2012.

Since 2011, the Company leveraged on its advantages in securing coal supply and seized the favorable opportunity to carry out mergers and acquisitions in the power industry. Through the combination of developing quality power sources with the construction of coal storage base and market expansion, the Company strengthened strategic cooperation with various provinces and cities along coasts and rivers as well as in the central region and acquired Mengjin Power and Bashu Power Company, established Shenwan Energy Company, Shenhua (Fujian) Energy Company and Zhuhai Coal Dock, etc, which became the new driving force of the economic growth of the Company.

Implemented Mega-sales Strategy, Consolidated and Increased Market Shares in the Coal Market

In 2011, the Company strengthened its dominance and control over resources, logistics and market through the solid implementation of its mega-sales strategy.

The Company established and improved its organizational structure that focused on sizable regional companies. It optimized the spot coal pricing mechanism with reference to the Bohai Bay Thermal Coal Price Index, expanded coal sourcing in locations such as ports and developed new channels of coal import.

The Company actively promoted the construction of coal transhipment and coal storage base along railways, rivers and coastal areas, which generated a radiation effect on neighboring areas. The Company also optimized industrial layout to expand sales markets, which consolidated and increased the market shares of the Company's coal products.

Implemented Internal Integration, Enhanced Refined Management and Continuously Fulfilled Social Responsibility

Based on the principle of "professional management and intensified operation", the Company established a number of professional management companies, such as Overseas Development and Investment Company, thereby achieving a more reasonable and efficient resources allocation.

The Company continued to enhance its cost control measures and adhered to low-cost operation, enhanced its refined management and further improved the application of information technology. The Company also increased the weight of economic value added (EVA) in the assessment mechanism to further uplift the operation quality.

The Company adheres to the social responsibility philosophy of "Energy Contribution, Scientific Development and Mutual Success", taking heed to the interests of shareholders, customers, employees, suppliers, communities and regulatory authorities, etc, thereby blending the social responsibility philosophy into corporate strategy, cultural and production operation processes. In 2011, the Company set the goal of building a five-model enterprise that possesses "quality and efficiency, intrinsic safety, technological innovation, resource conservation and harmonious development", monitoring the process with reference to feedback, increasing the efforts on carrying out social responsibility, advancing and enhancing safety production, technological innovation, low carbon economy and harmonious development, etc, taking a solid step on promoting the coordinated development of economic, environmental and social benefit.

2012: Clear awareness on Challenges and Opportunities, Carrying Out the Company's Development Strategy Actively

In 2012, uncertainties will overshadow the international economic growth and the domestic economic environment will be even more difficult and complicated. In this year, the Company shall be facing increasing operating pressure while its competitive edge as an integrated enterprise will be further enhanced. The board of director of the Company has set its operational target and strategy of 2012 based on the operating strategy of "making progress while maintaining stability": production volume of commercial coal in 2012 to reach 289.9 million tonnes, representing a year-on-year growth of 2.8%; sales volume of coal to reach 410.5 million tonnes, representing a year-on-year growth of 6.0%; power output dispatch to reach 199.6 billion kwh, representing a year-on-year growth of 19.1%.

Adhering to its development strategy of "building a world first-class coal-based integrated energy enterprise with global competitiveness", China Shenhua will further strengthen its core corporate competitiveness. In 2012, China Shenhua will focus on the following major endeavors:

- **To realize its operational targets and create more values for the shareholders.** The Company will balance the organizational structure and strengthen coordination and cooperation. The Company will take such internal measures that will tap into its potential and enhance management, and allocate implementation responsibilities. Externally, the Company will realize the growth of sales and revenue through expanding markets and seizing opportunities, to ensure the achievement of the 2012 operational goals.

- **To steadily press ahead with its developmental strategy of establishing itself as a world-class enterprise**. The Company will embrace every standard of being a world-class enterprise, improve the level, quality and result of our work by adhering to the basic working principle of "revealing insufficiencies, proceeding with rectification and facilitating improvements", so as to emerge as the best in the world and further consolidate competitive edge as an integrated enterprise. It will transform its economic development mode so as to speed up clean coal utilization projects and comprehensive utilization projects and step up efforts in technological innovation, informatization, energy conservation and emission reduction, etc. It will also intensify its EVA assessment so as to perfect the economic development mode.

- **To advance the mega-sales strategy in a pragmatic manner**. Through strategic alliance with business partners, the Company will utilize its coal storage and transhipment base as a platform to explore new resources and markets at home and abroad, optimize the pricing mechanism as well as the coal source structure and service system, rationalize sales system and coordinate logistics resources, so as to implement the mega-sales strategy.

- **To make more efforts in the domestic and overseas development of the Company**. The Company will leverage on its advantage in securing the supply of coal and its integrated operation, actively expand the distribution of its business such as power source and steadily proceed with new projects; carry out the internationalization of the Company and accelerate the progress of its international projects.

- **To continuously maintain production safety**. The Company will unswervingly push forward the establishment of intrinsic-safety system by fully implementing accountability, execution and supervision, strengthening the standardization of safety quality, intensifying safety training and continuously implementing production safety measures.

- **To persist in maintaining effective cost control**. The Company will continue to implement its cost control measures regarding various operational and managerial areas such as production, procurement, sales and financing. It will further upgrade its refined financial management and strengthen risk control with a view to further consolidate its competitive edge brought by low-cost operation.

Facing new challenges and opportunities in 2012, China Shenhua will tackle the complex business environment in serious manner, embrace world-class standards, implement its development strategy, actively promote reforms and make unremitting efforts to realize its business goals in order to build China Shenhua into a world first-class coal-based integrated energy enterprise with global competitiveness, thus maximizing the return for all shareholders.

Zhang Xiwu
Chairman

Beijing, PRC
23 March 2012

Directors' Report

2011 Overview of the Company's Operating Results

Business Data Master Table

		2011	2010 (Restated)	Percentage change %
Commercial coal production	(million tonnes)	**281.9**	245.6	14.8
Commercial coal sales	(million tonnes)	**387.3**	313.1	23.7
Of which: Export	(million tonnes)	**5.6**	10.3	(45.6)
Turnover of self-owned railway transportation	(billion tonne km)	**162.3**	150.3	8.0
Seaborne coal	(million tonnes)	**210.1**	170.5	23.2
Of which: Huanghua Port	(million tonnes)	**95.7**	87.2	9.7
Shenhua Tianjin Coal Dock	(million tonnes)	**25.5**	22.5	13.3
Shipping volume(1)	(million tonnes)	**80.6**	25.9	N/A
Shipment turnover(1)	(billion tonne nm)	**71.5**	21.9	N/A
Gross power generation(2)	(billion kwh)	**179.97**	141.46	27.2
Total power output dispatch(2)	(billion kwh)	**167.61**	131.69	27.3

Breakdown of Shipping Volume

	2011 million tonnes	2010 (Restated) million tonnes	Percentage change %
Shenhua Zhonghai Shipping Company			
The Group's internal customers	**34.4**	7.8	N/A
External customers	**46.2**	18.1	N/A
Total of shipping volume	**80.6**	25.9	N/A

Notes: (1) The shipping volume and turnover for 2010 refers to the period from July to December 2010.
(2) The figures include the operating results of coal-fired power generation business and other power generation businesses.
(3) The standard coal consumption for power output dispatch of Yuyao Power is a converted amount.
(4) Shendong Mines is formed through the consolidation of original Shendong Mines and Wanli Mines.
(5) Mainly Chaijiagou Mine.

Breakdown of Coal Sales

		2011 million tonnes	Proportion of domestic sales %	2010 (Restated) million tonnes	Percentage change %
Domestic sales		**381.7**	100.0	302.8	26.1
By contract type	Long-term contract	**171.7**	45.0	169.0	1.6
	Spot market sales	**210.0**	55.0	133.8	57.0
By transportation mode	Mine mouth	**52.0**	13.6	31.3	66.1
	Direct arrival (along railway)	**125.2**	32.8	111.3	12.5
	Seaborne	**204.5**	53.6	160.2	27.7
By customers	External customers	**308.2**	80.7	243.9	26.4
	Power segment of the Group	**73.5**	19.3	58.9	24.8
By region	Northern China	**198.7**	52.0	136.9	45.1
	Eastern China	**129.6**	34.0	102.7	26.2
	Central China and Southern China	**47.0**	12.3	37.8	24.3
	Northeast China	**3.5**	0.9	2.5	40.0
	Others	**2.9**	0.8	22.9	(87.3)
By usage	Thermal coal	**311.2**	81.5	223.0	39.6
	Metallurgy	**6.9**	1.8	6.2	11.3
	Chemical (including coal slurry)	**17.7**	4.6	11.8	50.0
	Others	**45.9**	12.1	61.8	(25.7)

		2011 million tonnes	Proportion of export sales %	2010 (Restated) million tonnes	Percentage change %
Export Sales		**5.6**	100.0	10.3	(45.6)
	South Korea	**1.9**	33.9	3.2	(40.6)
	China Taiwan	**1.2**	21.4	3.0	(60.0)
	Japan	**2.5**	44.7	3.6	(30.6)
	Others	**–**	–	0.5	(100.0)
Total coal sales		**387.3**		**313.1**	23.7

Breakdown of Commercial Coal Production

	2011 million tonnes	2010 (Restated) million tonnes	Percentage change %
Shendong Coal Group	**155.4**	151.4	2.6
Bulianta	**25.0**	24.3	2.9
Daliuta-Huojitu	**23.3**	21.1	10.4
Yujialiang	**16.8**	17.1	(1.8)
Shangwan	**13.9**	13.8	0.7
Halagou	**13.0**	12.9	0.8
Baode (Kangjiatan)	**10.1**	9.5	6.3
Shigetai	**11.2**	11.1	0.9
Wulanmulun	**6.6**	6.6	–
Buer'tai	**10.5**	9.2	14.1
Wanli No.1 mine (Changhangou)	**11.5**	9.6	19.8
Liuta mine	**6.0**	6.4	(6.3)
Cuncaota No. 1 mine	**3.6**	3.4	5.9
Cuncaota No. 2 mine	**3.3**	3.7	(10.8)
Others	**0.6**	2.7	(77.8)
Zhunge'er Energy Company	**29.2**	25.3	15.4
Heidaigou	**29.2**	25.3	15.4
Ha'erwusu Branch	**25.1**	19.3	30.1
Beidian Shengli Energy	**24.4**	14.3	70.6
Jinjie Energy	**17.1**	14.5	17.9
Shenbao Energy Company	**26.2**	17.4	50.6
Baotou Energy Company	**3.0**	2.3	30.4
Shuiquan Open-cut Mine	**1.8**	1.5	20.0
Adaohai Mine	**0.8**	0.8	–
Lijiahao Mine	**0.4**	–	N/A
Chaijiagou Mining	**1.0**	1.1	(9.1)
Indonesia Coal Power	**0.5**	–	N/A
Total production	**281.9**	245.6	14.8
By Regions			
Inner Mongolia	**188.9**	158.3	19.3
Shaanxi	**82.4**	77.8	5.9
Shanxi	**10.1**	9.5	6.3
Overseas	**0.5**	–	N/A

Breakdown of Railway Turnover

	2011 billion tonne km	2010 (Restated) billion tonne km	Percentage change %
Self-owned railways	**162.3**	150.3	8.0
Shenshuo Railway	**39.8**	37.1	7.3
Shuohuang-Huangwan Railway	**96.4**	88.8	8.6
Dazhun Railway	**17.5**	16.2	8.0
Baoshen Railway	**8.6**	8.2	4.9
State-owned railways	**49.8**	41.8	19.1
Total railway turnover	**212.1**	192.1	10.4

Breakdown of Seaborne Coal in Ports

	2011 million tonnes	2010 (Restated) million tonnes	Percentage change %
Self-owned ports	**121.2**	109.7	10.5
Huanghua Port	**95.7**	87.2	9.7
Shenhua Tianjin Coal Dock	**25.5**	22.5	13.3
Third-party ports	**88.9**	60.8	46.2
Total seaborne coal	**210.1**	170.5	23.2

Other Assets

Name

Watermark Coal Project in Australia (under construction)
Xinjie Taigemiao Exploration Area (applying for licences and permits)
Shenhua Yudean Zhuhai Coal Dock (under construction)

Railway	**Length** km	**Construction commencement date**
Bazhun Railway (Under construction)	128	December 2010
Zhunchi Railway (Under construction)	180	October 2011
Ganquan Railway (Under construction)	367	August 2010

Breakdown of Coal Resources/Reserve

Mines	Recoverable coal reserve (under PRC standard) As at 31 December 2011 100 million tonnes	As at 31 December 2010 100 million tonnes	Percentage change %	Marketable coal reserve (under JORC standard) As at 31 December 2011 100 million tonnes	As at 31 December 2010 100 million tonnes	Percentage change %	Coal resources As at 31 December 2011 100 million tonnes	As at 31 December 2010 100 million tonnes	Percentage change %
Shendong Mines(4)	**83.06**	74.23	11.9	**46.54**	45.87	1.5	**158.13**	126.85	24.7
Zhunge'er Mines	**34.77**	25.77	34.9	**21.83**	18.67	16.9	**43.13**	27.57	56.4
Shengli Mines	**14.48**	14.73	(1.7)	**8.03**	8.28	(3.0)	**20.65**	20.90	(1.2)
Baorixile Mines	**13.36**			**13.93**			**15.51**		
Baotou Mines (Including Lijiahao Mine)	**6.82**			**3.11**			**16.48**		
Other Mines(5)	**0.05**			**0.02**			**0.10**		
Total	**152.54**	114.73	33.0	**93.46**	72.82	28.3	**254.00**	175.32	44.9

Breakdown of Power Generation Business

Power plants	Regional grid	Location	Gross power generation 100 million kwh	Total power output dispatch 100 million kwh	Average utilisation hours hours	Standard coal consumption rate for power output dispatch g/kwh	Power tariff RMB/mwh	Total installed capacity as at 31 December 2010 (Restated) MW	Increase in installed capacity for 2011 MW	Total installed capacity as at 31 December 2011 MW	Equity installed capacity as at 31 December 2011 MW
Huanghua Power	North China Power Grid	Hebei	163.2	155.5	6,477	312	332	2,520	–	2,520	1,285
Sanhe Power	North China Power Grid	Hebei	76.6	71.3	5,892	323	347	1,300	–	1,300	715
Dingzhou Power	North China Power Grid	Hebei	158.8	147.2	6,300	325	323	2,520	–	2,520	1,021
Panshan Power	North China Power Grid	Tianjin	62.3	58.1	6,044	330	380	1,030	–	1,030	469
Zhunge'er Power	North China Power Grid	Inner Mongolia	17.5	15.6	4,386	388	229	400	660	1,060	613
Shendong Power	Northwest/North China/ Shaanxi Provincial Local Power Grid	Inner Mongolia	164.1	147.0	5,174	369	254	2,867	600	3,467	2,957
Guohua Zhunge'er	North China Power Grid	Inner Mongolia	69.6	63.3	5,273	324	245	1,320	–	1,320	858
Guohua Hudian	Northeast Power Grid	Inner Mongolia	54.3	48.6	4,529	338	236	1,200	–	1,200	960
Beijing Thermal	North China Power Grid	Beijing	23.9	21.2	5,987	278	406	400	–	400	280
Suizhong Power	Northeast Power Grid	Liaoning	188.3	176.2	5,231	319	333	3,600	–	3,600	1,800
Ninghai Power	East China Power Grid	Zhejiang	289.0	275.5	6,569	305	397	4,400	–	4,400	2,640
Jinjie Energy	North China Power Grid	Shaanxi	167.0	153.6	6,958	333	274	2,400	–	2,400	1,680
Shenmu Power	Northwest Power Grid	Shaanxi	14.7	13.1	6,704	379	312	220	–	220	112
Taishan Power	South China Power Grid	Guangdong	249.8	236.3	6,462	312	421	3,000	2,000	5,000	4,000
Huizhou Thermal	South China Power Grid	Guangdong	44.7	40.9	6,780	327	429	660	–	660	660
Mengjin Power	Central China Power Grid	Henan	27.0	25.4	3,800	322	359	–	1,200	1,200	612
Indonesia Coal Power	PLN (Perusahaan Listrik Negara)	Indonesia	4.8	4.1	5,577	417	275	–	300	300	210
Chenjiagang Power	East China Power Grid	Jiangsu	0.1	0.1	39	117	308	–	1,320	1,320	726
Shenwan Energy	East China Power Grid	Anhui	–	–	–	–	–	–	2,440	2,440	1,244
Coal-fired power plant total/Weighted average			1,775.7	1,653.0	5,914	324	341	27,837	8,520	36,357	22,842
Other power plants											
Zhuhai Wind Energy	South China Power Grid	Guangdong	0.3	0.3	1,807	–	597	16	–	16	12
Yuyao Power(3)	East China Power Grid	Zhejiang	23.7	22.8	3,044	234	609	780	–	780	624

2011 Overview of Consolidated Operating Results

Consolidated statement of comprehensive income

	2011 RMB million	2010 (Restated) RMB million	Percentage change %
Revenues	**208,197**	157,662	32.1
Less: Cost of revenues	**128,092**	90,142	42.1
Selling, general and administrative expenses	**10,973**	9,219	19.0
Other operating expenses, net	**827**	776	6.6
Profit from operations	**68,305**	57,525	18.7
Less: Net finance costs	**2,136**	2,248	(5.0)
Add: Investment income	**1**	174	(99.4)
Share of profits less losses of associates	**290**	491	(40.9)
Profit before income tax	**66,460**	55,942	18.8
Less: Income tax	**13,951**	11,473	21.6
Profit for the year	**52,509**	44,469	18.1
Equity shareholders of the Company	**45,677**	38,834	17.6
Non-controlling interests	**6,832**	5,635	21.2
Basic earnings per share (RMB/share)	**2.296**	1.952	17.6

Breakdown of revenues

	2011 RMB million	2010 (Restated) RMB million	Percentage change %
Revenues			
Coal revenue	**140,090**	106,080	32.1
Power revenue	**58,348**	44,800	30.2
Transportation revenue	**5,585**	3,119	79.1
Sub-total	**204,023**	153,999	32.5
Revenues from other operation	**4,174**	3,663	14.0
Total operating revenues	**208,197**	157,662	32.1

Breakdown of cost of revenues

	2011 RMB million	2010 (Restated) RMB million	Percentage change %
Coal purchased	**45,753**	26,437	73.1
Materials, fuel and power	**14,777**	12,335	19.8
Personnel expenses	**9,090**	7,290	24.7
Depreciation and amortisation	**14,606**	12,718	14.8
Repairs and maintenance	**6,027**	5,736	5.1
Transportation charges	**18,304**	10,570	73.2
Others	**19,535**	15,056	29.7
Total cost of revenues	**128,092**	90,142	42.1

Cost of revenues – Breakdown of others

	2011 RMB million	2010 (Restated) RMB million	Percentage change %
Coal selection and minery fees	**6,450**	5,600	15.2
Taxes and surcharges	**1,696**	1,585	7.0
Dredging expenses	**405**	555	(27.0)
Relocation compensation expenses	**642**	565	13.6
Operating lease charges	**284**	247	15.0
Resources compensation fees	**515**	439	17.3
Environmental related expenses	**3,524**	1,865	89.0
Cost of sale of ancillary materials and other goods, and provision of other services	**2,546**	2,706	(5.9)
Others	**3,473**	1,494	132.5
Total cost of revenues – others	**19,535**	15,056	29.7

Breakdown of coal sales price

	2011		2010 (Restated)		Percentage change
	Sales volume million tonnes	**Sales price RMB/tonne**	Sales volume million tonnes	Sales price RMB/tonne	in sales price %
Domestic sales	**381.7**	**431.3**	302.8	404.0	6.8
Long-term contract sales	**171.7**	**337.8**	169.0	362.1	(6.7)
Mine mouth	**11.4**	**162.3**	6.2	162.9	(0.4)
Direct arrival (along railway line)	**80.5**	**251.0**	75.6	262.8	(4.5)
Seaborne	**79.8**	**450.5**	87.2	462.4	(2.6)
Spot market sales	**210.0**	**507.7**	133.8	457.0	11.1
Mine mouth	**40.6**	**171.0**	25.1	142.2	20.3
Direct arrival (along railway line)	**44.7**	**473.0**	35.7	406.2	16.4
Seaborne	**124.7**	**629.7**	73.0	590.0	6.7
Export sales	**5.6**	**747.7**	10.3	566.5	32.0
Total/Weighted average price	**387.3**	**435.8**	313.1	409.4	6.4
Of which: Sales to external customers	**313.8**	**446.5**	254.2	417.4	7.0
Sales to internal power segment	**73.5**	**390.4**	58.9	374.7	4.2

Statement of cash flows from operating activities

	2011 RMB million	2010 (Restated) RMB million	Percentage change %
Profit before income tax	**66,460**	55,942	18.8
Adjustments for: Depreciation and amortisation	**15,571**	13,698	13.7
Impairment losses on property, plant and equipment	**–**	184	(100.0)
Impairment losses on other long-term equity investments	**138**	229	(39.7)
Net loss on disposal of property, plant and equipment	**167**	80	108.8
Investment income	**(1)**	(174)	(99.4)
Interest income	**(968)**	(1,248)	(22.4)
Share of profits less losses of associates	**(290)**	(491)	(40.9)
Net interest expense	**3,131**	3,180	(1.5)
Gain on remeasurement of derivative financial instruments and trading debt securities to fair value	**(114)**	(149)	(23.5)
Unrealised foreign exchange (gain)/loss	**(127)**	465	(127.3)
Increase in accounts and bills receivable	**(953)**	(1,947)	(51.1)
Increase in inventories	**(714)**	(3,129)	(77.2)
Increase in prepaid expenses and other assets	**(1,396)**	(3,888)	(64.1)
Increase in accounts and bills payable	**142**	488	(70.9)
Increase in accrued expenses and other payables, long-term payables and accrued reclamation obligations	**3,610**	7,612	(52.6)
Interest received	**968**	1,248	(22.4)
Interest paid	**(3,219)**	(3,760)	(14.4)
Income tax paid	**(11,740)**	(9,767)	20.2
Net cash generated from operating activities	**70,665**	58,573	20.6

2011 Overview of Operating Conditions by Segment

Segment results

	Coal 2011 RMB million	Coal 2010 (Restated) RMB million	Power 2011 RMB million	Power 2010 (Restated) RMB million	Railway 2011 RMB million	Railway 2010 (Restated) RMB million	Port 2011 RMB million	Port 2010 (Restated) RMB million
Revenue from external customers	**142,718**	108,774	**58,845**	45,194	**2,745**	2,285	**147**	152
Revenue from inter-segment transactions	**29,600**	22,875	**395**	336	**20,181**	19,021	**2,673**	2,448
Sub-total of segment revenue	**172,318**	131,649	**59,240**	45,530	**22,926**	21,306	**2,820**	2,600
Segment cost of revenues	**(117,986)**	(86,066)	**(46,715)**	(35,331)	**(11,902)**	(10,873)	**(1,833)**	(1,836)
Segment profit/(loss) from operations	**46,809**	39,142	**10,087**	8,171	**9,896**	9,690	**729**	512
	As at 31 December 2011 RMB million	As at 31 December 2010 (Restated) RMB million	**As at 31 December 2011 RMB million**	As at 31 December 2010 (Restated) RMB million	**As at 31 December 2011 RMB million**	As at 31 December 2010 (Restated) RMB million	**As at 31 December 2011 RMB million**	As at 31 December 2010 (Restated) RMB million
Segment total assets	**210,234**	169,373	**139,622**	122,001	**65,447**	48,147	**12,930**	10,302
Segment total liabilities	**(106,981)**	(96,418)	**(91,233)**	(85,212)	**(33,074)**	(21,559)	**(6,386)**	(4,981)

	Shipping 2011 RMB million	Shipping 2010 (Restated) RMB million	Unallocated items 2011 RMB million	Unallocated items 2010 (Restated) RMB million	Eliminations 2011 RMB million	Eliminations 2010 (Restated) RMB million	Total 2011 RMB million	Total 2010 (Restated) RMB million
Revenue from external customers	**2,961**	902	**781**	355	**–**	–	**208,197**	157,662
Revenue from inter-segment transactions	**2,138**	659	**57**	71	**(55,044)**	(45,410)	**–**	–
Sub-total of segment revenue	**5,099**	1,561	**838**	426	**(55,044)**	(45,410)	**208,197**	157,662
Segment cost of revenues	**(4,377)**	(1,353)	**–**	–	**54,721**	45,317	**(128,092)**	(90,142)
Segment profit/(loss) from operations	**681**	150	**412**	(51)	**(309)**	(89)	**68,305**	57,525
	As at 31 December 2011 RMB million	As at 31 December 2010 (Restated) RMB million	**As at 31 December 2011 RMB million**	As at 31 December 2010 (Restated) RMB million	**As at 31 December 2011 RMB million**	As at 31 December 2010 (Restated) RMB million	**As at 31 December 2011 RMB million**	As at 31 December 2010 (Restated) RMB million
Segment total assets	**4,101**	2,159	**266,833**	197,861	**(298,090)**	(177,712)	**401,077**	372,131
Segment total liabilities	**(742)**	(534)	**(137,244)**	(101,155)	**238,897**	175,155	**(136,763)**	(134,704)

Cost of revenues of coal segment

	2011 Cost RMB million	2011 Volume million tonnes	2011 Unit cost RMB/tonne	2010 (Restated) Cost RMB million	2010 (Restated) Volume million tonnes	2010 (Restated) Unit cost RMB/tonne	Percentage change in unit cost %
Cost of coal purchased from third parties	**45,753**	**105.0**	**435.7**	26,437	72.0	367.2	18.7
Cost of coal production	**33,500**	**282.3**	**118.7**	26,853	241.1	111.4	6.6
Materials, fuel and power	**6,438**	**282.3**	**22.8**	5,287	241.1	21.9	4.1
Personnel expenses	**4,129**	**282.3**	**14.6**	3,408	241.1	14.1	3.5
Repairs and maintenance	**2,122**	**282.3**	**7.5**	2,362	241.1	9.8	(23.5)
Depreciation and amortisation	**5,858**	**282.3**	**20.8**	5,123	241.1	21.2	(1.9)
Others	**14,953**	**282.3**	**53.0**	10,673	241.1	44.4	19.4
Cost of coal transportation[(1)]	**35,824**	**387.3**	**92.5**	29,565	313.1	94.4	(2.0)
Other costs	**2,909**			3,211			
Total cost of revenues of coal segment	**117,986**			86,066			

Cost of revenues of power segment

	2011 Cost RMB million	2011 Power output dispatch 100 million kwh	2011 Unit cost RMB/mwh	2010 (Restated) Cost RMB million	2010 (Restated) Power output dispatch 100 million kwh	2010 (Restated) Unit cost RMB/mwh	Percentage change of unit cost %
Cost of power output dispatch	**46,131**	**1,676.1**	**275.2**	34,856	1,316.9	264.7	4.0
Materials, fuel and power	**34,825**	**1,676.1**	**207.8**	25,690	1,316.9	195.1	6.5
Personnel expenses	**2,371**	**1,676.1**	**14.1**	1,692	1,316.9	12.8	10.2
Repairs and maintenance	**1,549**	**1,676.1**	**9.2**	1,389	1,316.9	10.5	(12.4)
Depreciation and amortisation	**5,993**	**1,676.1**	**35.8**	4,932	1,316.9	37.5	(4.5)
Others	**1,393**	**1,676.1**	**8.3**	1,153	1,316.9	8.8	(5.7)
Other costs	**584**			475			
Total cost of revenues of power segment	**46,715**			35,331			

Cost of revenues of railway segment

	2011 Cost RMB million	2010 (Restated) Cost RMB million	Percentage change %
Cost of internal transportation business	**10,263**	9,482	8.2
Materials, fuel and power	**2,355**	2,258	4.3
Personnel expenses	**2,030**	1,755	15.7
Repairs and maintenance	**2,080**	1,736	19.8
Depreciation and amortisation	**1,833**	1,838	(0.3)
External transportation charges	**288**	338	(14.8)
Others	**1,677**	1,557	7.7
Cost of external transportation	**1,496**	1,252	19.5
Sub-total	**11,759**	10,734	9.5
Other costs	**143**	139	2.9
Total cost of revenues of railway segment	**11,902**	10,873	9.5

Cost of revenues of port segment

	2011 Cost RMB million	2010 (Restated) Cost RMB million	Percentage change %
Cost of internal transportation	**1,726**	1,715	(0.6)
Materials, fuel and power	**266**	224	18.8
Personnel expenses	**149**	116	28.4
Repairs and maintenance	**114**	99	15.2
Depreciation and amortisation	**612**	586	4.4
Others	**585**	690	(15.2)
Cost of external transportation	**95**	107	(11.2)
Sub-total	**1,821**	1,822	(0.1)
Other costs	**12**	14	(14.3)
Total cost of revenues of port segment	**1,833**	1,836	(0.2)

Cost of revenues of shipping segment

	2011 RMB million	2010 (Restated) RMB million	Percentage change %
Cost of internal transportation	**1,836**	571	N/A
Materials, fuel and power	**93**	43	N/A
Personnel expenses	**13**	6	N/A
Repairs and maintenance	**6**	7	N/A
Depreciation and amortisation	**35**	16	N/A
External transportation charges	**1,648**	485	N/A
Others	**41**	14	N/A
Cost of external transportation	**2,541**	782	N/A
Sub-total	**4,377**	1,353	N/A
Other costs	**–**	–	N/A
Total cost of revenues of shipping segment	**4,377**	1,353	N/A

Note: (1) Cost of coal transportation refers to the transportation cost before elimination on consolidation.
(2) The data for shipping segment in 2010 refers to the period from July to December 2010.

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

主要資產分佈圖 Location of main assets

煤礦 Coal Mine

- A1. 神東礦區 Shendong Mines
- A2. 准格爾礦區 Zhunge'er Mines
- A3. 勝利礦區 Shengli Mines
- A4. 寶日希勒礦區 Baorixile Mines
- A5. 包頭礦區 Baotou Mines
- A6. 銅川礦區－柴家溝礦 Tongchuan Mines – Chaijiagou Mine
- A7. 澳大利亞沃特馬克煤礦項目（在建） Watermark Coal Project in Australia (under construction)
- A8. 新街台格廟勘查區（權證申請中） Xinjie Taigemiao Exploration Area (applying for license)

電廠 Power

- B1. 黃驊電力 Huanghua Power
- B2. 三河電力 Sanhe Power
- B3. 定洲電力 Dingzhou Power
- B4. 盤山電力 Panshan Power
- B5. 准能電力 Zhunge'er Power
- B6. 神東電力 Shendong Power
- B7. 國華准格爾 Guohua Zhunge'er
- B8. 國華呼電 Guohua Hulunbeier Power
- B9. 北京熱電 Beijing Thermal
- B10. 綏中電力 Suizhong Power
- B11. 寧海電力 Ninghai Power
- B12. 錦界能源 Jinjie Energy
- B13. 神木電力 Shenmu Power
- B14. 台山電力 Taishan Power
- B15. 惠州熱電 Huizhou Thermal
- B16. 孟津電力 Mengjin Power
- B17. 太倉電力(待交割) Taicang Power (awaiting delivery)
- B18. 陳家港電力 Chenjiagang Power
- B19. 神皖能源 Shenwan Energy
- B20. 巴蜀電力 Bashu Power
- B21. 神福能源 Shenfu Energy
- B22. 印度尼西亞南蘇煤電項目 PT.GH EMM Indonesia Project
- B23. 珠海風能 Zhuhai Wind
- B24. 余姚電力 Yuyao Power

鐵路 Railway

- C1. 神朔鐵路 Shenshuo Railway
- C2. 朔黃鐵路 Shuohuang Railway
- C3. 黃萬鐵路 Huangwan Railway
- C4. 大准鐵路 Dazhun Railway
- C5. 包神鐵路 Baoshen Railway
- C6. 巴准鐵路（在建） Bazhun Railway (under construction)
- C7. 准池鐵路（在建） Zhunchi Railway (under construction)
- C8. 甘泉鐵路（在建） Ganquan Railway (under construction)

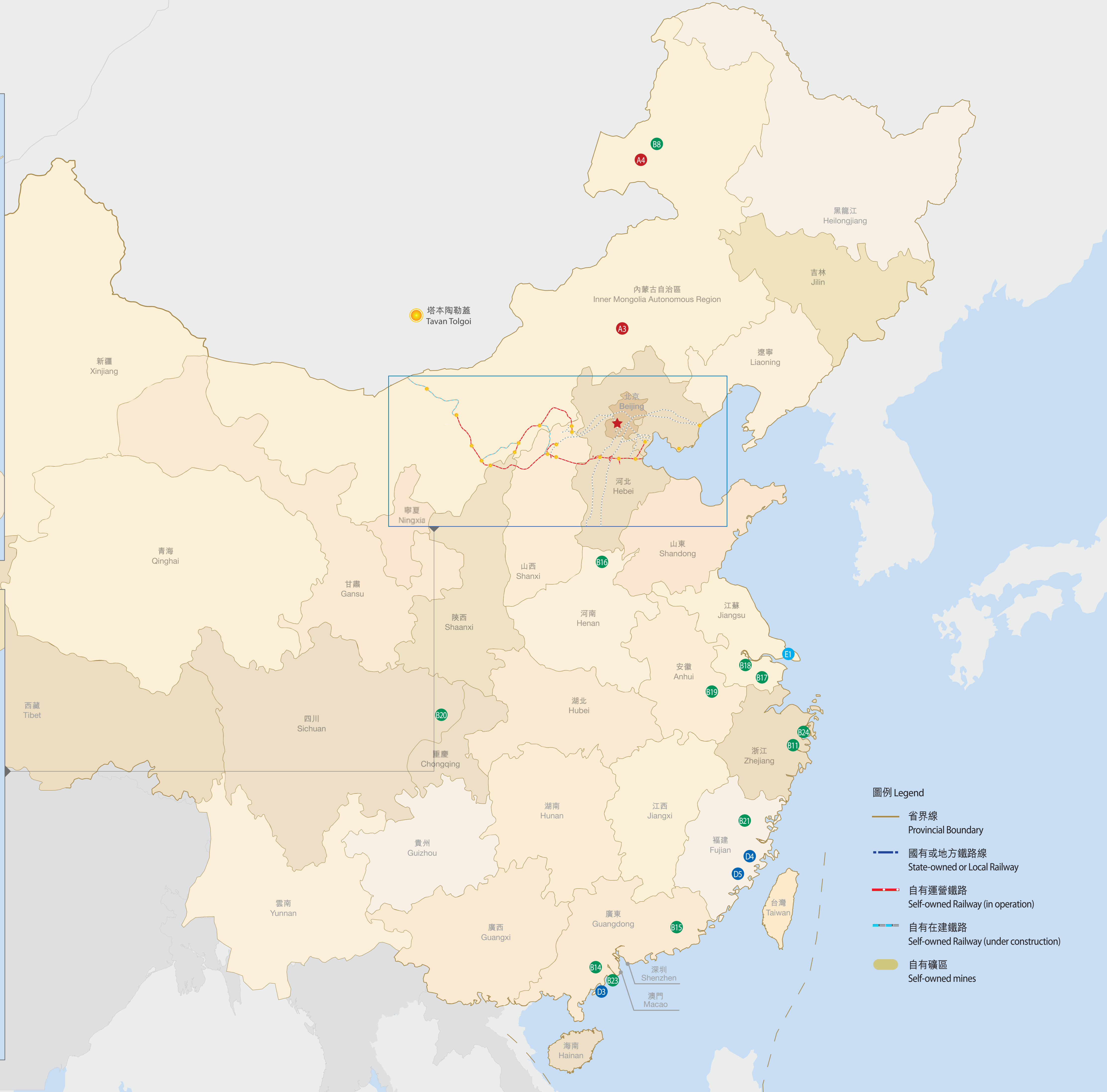
港口 Port

- D1. 黃驊港 Huanghua Port
- D2. 神華天津煤碼頭 Shenhua Tianjin Coal Dock
- D3. 神華粵電珠海煤碼頭(在建) Shenhua Yudean Zhuhai Coal Dock (under construction)
- D4. 羅源灣項目(籌備中) Luoyuan Wan Project (under preparation)
- D5. 湄洲灣項目(籌備中) Meizhou Wan Project (under preparation)

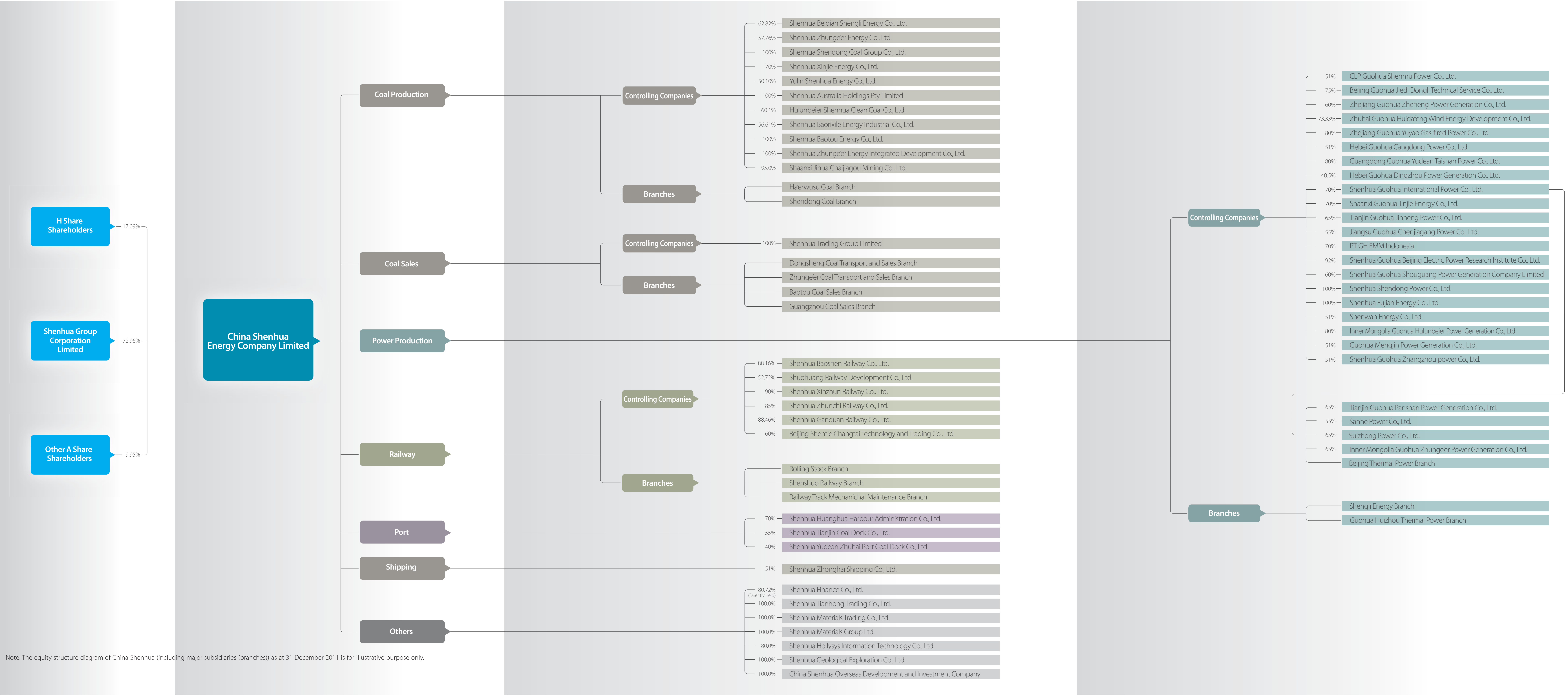
航運 Shipping

- E1. 神華中海航運 Shenhua Zhonghai Shipping Company

註： 於2012年3月23日之分佈圖，僅做示意。
Note: This map as at 23 March 2012 is for illustrative purpose only.



Equity structure diagram



Note: The equity structure diagram of China Shenhua (including major subsidiaries (branches)) as at 31 December 2011 is for illustrative purpose only.

Turnover of self-owned railway transportation amounted to

162.3 billion tonne kilometers

Seaborne coal sales volume amounted to

210.1 million tonnes

Commercial coal production amounted to

281.9 million tonnes

Coal sales amounted to

387.3 million tonnes

Shipping volume amounted to

80.6 million tonnes

Shipment turnover amounted to

71.5 billion tonne nautical miles

Gross power generation amounted to

179.97 billion kwh

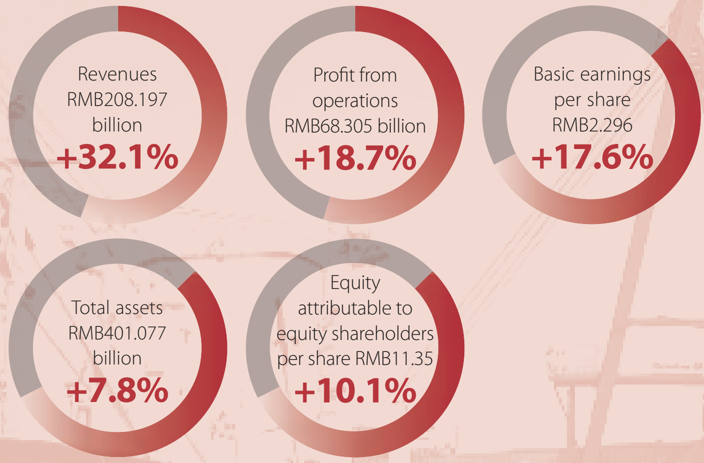
Total power output dispatch amounted to

167.61 billion kwh

Management Discussion and Analysis

Summary of operation in 2011

In 2011, the management of China Shenhua adhered to its strategic goal and focused on improving ability as an integrated enterprise. China Shenhua reinforced the foundation of the Company's management, strengthened the management of safety production, pressed forward the construction of new projects and became engaged in strategic partnership, merger and acquisition proactively. Supported by the hard work of entire staff, the operating results of the Company hit a record high.



I. Production and operation hit a record high

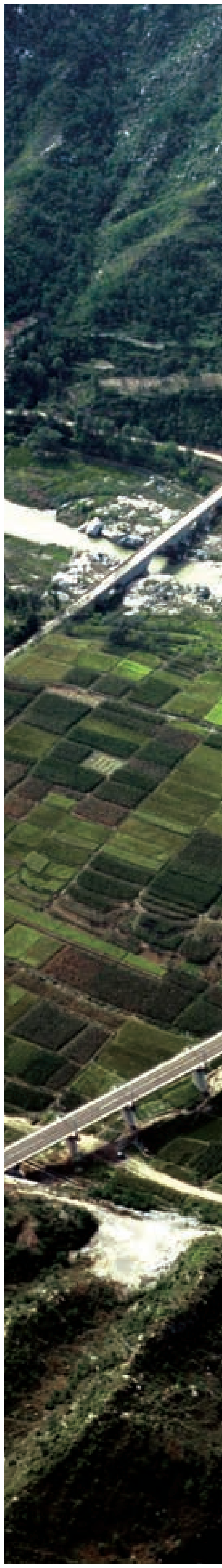
In 2011, the Company optimized its production organizations in response to market needs, with commercial coal production volume amounting to 281.9 million tonnes (2010: 245.6 million tonnes (restated)), representing a year-on-year increase of 14.8% and completing 109.3% of the annual target; fully leveraging on its transportation and brand advantages, the Company expanded sales coverage and promoted the sales of coal purchased from third parties, with coal sales volume reaching 387.3 million tonnes (2010: 313.1 million tonnes (restated)), representing a year-on-year increase of 23.7%, completing 110.7% of the annual target; seizing the opportunities arising from the inadequate generation of hydro power in Southern China and leveraging on its competitive edge of being an integrated enterprise, the Company stepped up efforts in the sales of electricity, with total power output dispatch reaching 167.61 billion kwh (2010: 131.69 billion kwh (restated)), representing a year-on-year increase of 27.3% and completing 110.3% of the annual target. In 2011, the Company's transportation business achieved stable growth and its logistic chain operated in peak efficiency, with transportation turnover of self-owned railway reaching 162.3 billion tonne kilometers (2010: 150.3 billion tonne kilometer (restated)), representing a year-on-year growth of 8.0%; seaborne coal sales volume reached 210.1 million tonnes (2010: 170.5 million tonnes (restated)), representing a year-on-year growth of 23.2%; shipping volume amounted to 80.6 million tonnes and shipment turnover reached 71.5 billion tonne nautical miles.

II. Steadily improved economic efficiency with fast-growing scale of operation

The Company attaches great importance to the creation of value. Through refined management and reinforcement of cost control, the Company successfully improved its operating efficiency. In 2011, the Company further optimized its economic value added (EVA)-based performance appraisal system, thereby significantly improved its capability in value management, production management and energy consumption management. The Company actively established its strategic financial management model and enhanced cost control and the centralized management of funds, hence further improved the quality of operation.

Pursuant to the International Financial Reporting Standards, the revenues of the Group for 2011 were RMB208.197 billion (2010: RMB157.662 billion (restated)), representing a year-on-year increase of 32.1%. Profit attributable to equity shareholders of the Company for the year were RMB45.677 billion (2010: RMB38.834 billion (restated)), representing a year-on-year increase of 17.6%. Basic earnings per share[1] was RMB2.296 (2010: RMB1.952 (restated)), representing a year-on-year increase of 17.6%.

As at 31 December 2011, the equity attributable to equity shareholders of the Group per share was RMB11.35 (2010: RMB10.31 (restated)), representing a year-on-year increase of 10.1%. At as 31 December 2011, the Group's return on total assets[2] was 13.1%. Return on net assets[3] for 2011 was 20.2% (2010: 18.9% (restated)), representing a year-on-year increase of 1.3 percentage points. EBITDA[4] was RMB83.876 billion (2010: RMB71.223 billion (restated)), representing a year-on-year increase of 17.8%. As at 31 December 2011, the Group's total debt to equity ratio[5] was 18.6%, representing a decrease of 3.6 percentage points as compared to 22.2% (restated) as at 31 December 2010.



1 Basic earnings per share is calculated on the basis of profit attributable to equity shareholders of the Company for the year and the weighted average number of shares for the year.

2 Return on total assets is calculated on the basis of profit for the year and the total assets at the end of the year.

3 Return on net assets as at the end of the year is calculated on the basis of equity attributable to equity shareholders of the Company as at the end of the year and the profit attributable to equity shareholders of the Company for the year.

4 EBITDA is a method for the management to assess the performance of the Company. It is defined as profit for the year plus net finance costs, income tax and depreciation and amortisation, and net of investment income and share of profits less losses of associates. The EBITDA presented herein by the Company is used as extra reference for investors with regard to business performance, as management of the Company considers EBITDA is popularly used by securities analysts, investors and other parties concerned as a criterion for the evaluation of the performance of mining companies, which is believed to be helpful to investors. EBITDA is not yet an item acknowledged by International Financial Reporting Standards. You should not take it as an alternative indicator of profit for the relevant accounting period to evaluate achievements or performances, nor shall it be taken as an alternative indicator for cash flows generated from operating activities to evaluate liquidity. The calculation of EBITDA by the Company may be different from those of other companies; therefore comparability may be limited. In addition, EBITDA is not intended to be the basis for free cash flows that may be used by the management at their discretion, because it does not reflect requirements for cash such as interest expenses, tax payment and repayment of debts, etc.

5 Total debt to equity ratio = [long-term interest bearing debts+short-term interest bearing debts (including bills payable)]/[long-term interest bearing debts+short-term interest bearing debts (including bills payable)+total equity]

III. Core competitiveness continuously enhanced with integrated layout gradually improved

(I) Coal segment

1. Coal production and mining operation

In 2011, the Company acquired the relevant mine assets of Shenhua Group, further expanding the coal resource reserve. With safe production as its priority, the Company achieved continuous growth in coal production volume through in-depth optimization of its production organization and acceleration of mines capacity expansion. The production volume of commercial coal amounted to 281.9 million tonnes (2010: 245.6 million tonnes (restated)), representing a year-on-year increase of 14.8%.

Shendong Mines overcame several adverse factors, including launching the integrated inspection and maintenance of large-sized equipment and the changes of geological conditions of working face of certain mines, tapping into its mining potential and efficiency. The production volume of commercial coal amounted to 172.5 million tonnes, accounting for 61.2% of the total production volume of the Group's commercial coal during the same period. Construction of new mines and reconstruction and expansion of the existing mines were proceeding in an orderly manner. The 5^{-2} coal working face of Daliuta mine, with a designed production capacity of 9.0 million tonnes per year, commenced trial production; the reconstruction and expansion projects in Jinjie Mines, with a designed capacity of 20.0 million tonnes per year, were completed and have commenced trial production by the end of the year. Through a number of measures such as strengthening the onsite management over coal quality, optimizing coal washing and selection skills, sales of different types of coal and increasing sales volume of specialized coal, the average unit heat value of Shendong Mines' commercial coal recorded a year-on-year increase.

Zhunge'er Mines has tackled the problem of rainy and snowy weather and its production volume of commercial coal amounted to 54.3 million tonnes, representing a year-on-year increase of 21.7%. Capacity expansion and reconstruction projects of Heidaigou open-cut mine and Ha'erwusu open-cut mine have commenced on schedule, and are expected to be completed in 2012. Upon completion, the raw coal output capacity of both open-cut mines will reach 30.0 million tonnes per year respectively.

Shengli Mines has enhanced its management on production, operation and equipment safety and its production volume of commercial coal amounted to 24.4 million tonnes, representing a year-on-year increase of 70.6%. Construction of capacity expansion of Shengli mines was smoothly completed.

Having overcome the adverse effects of extreme cold weather and the short supply of equipment, Shenbao Energy Company enhanced refined management in its equipment, thus maximizing the production capacity. Shenbao Energy Company's production volume of commercial coal hit 26.2 million tonnes, marking its first breakthrough of over 20.0 million tonnes (2010: 17.4 million tonnes), and representing a year-on-year increase of 50.6%.

The production volume of commercial coal of Baotou Energy Company for the year amounted to 3.0 million tonnes. Lijiahao Coal Mine, which has a designed production capacity of 6.0 million tonnes, was put into production in 2011.

2. Coal production technology and equipment

In 2011, the Company has strengthened the building of the coal production and technology management system as well as the auxiliary systems, with an aim to advance the digitalization of Shenhua mines projects and the application of the comprehensive technology of the fully-mechanized and large-sized working face, thus further improving the resources recovery rate. In 2011, the recovery rate of underground mines and open-cut mines amounted to 80.9% and 97.3% respectively. The Company applied the coal selection techniques and the technology of reducing mud found in coal, which are suitable for major mines such as Shendong Mines, resulting in a further improvement in the technology of quality upgrade of coal. Moreover, the Company has basically realized the equipment modernization of mining working face by improving the modernization level of mines equipment. Following the progress of equipment localization, the Company has achieved the localization of the high-end hydraulic roof support used in underground mines and the electric shovel used in open-cut mines.

3. Coal mine production safety

The Company insists on the strategy of safe and people-oriented development. Apart from establishing a management system for production safety and occupational health and further improving the safety management system, the Company also promoted the application of technology for safety protection and emergency and rescue equipment, as well as paying attention to improving the working environment of mines, strengthening the inspection and elimination of potential risks and putting more efforts in prevention and control of sources of material dangers. In 2011, the trend of the Company's production safety maintained at a stable level, with a fatality rate per million tonnes of raw coal output of 0.0196.

4. Coal resources

As at 31 December 2011, the Group's coal resources reserve, recoverable coal reserve under PRC standard and marketable coal reserve under JORC standards amounted to 25.400 billion tonnes, 15.254 billion tonnes and 9.346 billion tonnes respectively.

The Company has adopted effective measures to protect the exploration progress of coal resources in 2011 and the exploration expenses[6] amounted to approximately RMB326 million (2010: RMB1,050 million (restated)). The exploration work of Watermark Coal Project in Australia has smoothly commenced, and up to the end of 2011, the work of in-depth inspection on coal resources within the mining area was basically completed and a preliminary planning of mines has been completed.

During 2011, the Company has steadily advanced the mining development and exploration works, relevant capital expenditure of which amounted to approximately RMB14.681 billion (2010: RMB12.096 billion (restated)). The expenditure mainly covered the coal mining at Shendong Mines, the construction of new mines such as Huangyuchuan mine and the capacity expansion and reconstruction projects of Ha'erwusu open-cut mine and Heidaigou open-cut mine.

6 Exploration expenses, which occurred before the conclusion of feasibility study was made, represents the expenses related to exploration and evaluation of coal resources.

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

No	Mines	Major types of coal	Calorific value range of major commercial coal products	Sulphur content range
1	Shendong Mines	Long flame coal/non-caking coal	>5,270 kcal/kg	0-0.6%
2	Zhunge'er Mines	Long flame coal	>4,560 kcal/kg	0-0.5%
3	Shengli Mines	Lignite	>3,080 kcal/kg	0-1.0%
4	Baorixile Mines	Lignite	>3,600 kcal/kg	0-0.5%
5	Baotou Mines	Long flame coal/non-caking coal	>4,500 kcal/kg	0-1.0%

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

(II) Power segment

In 2011, the Company proactively accelerated the development of power business through merger and acquisition. By launching strategic cooperation with a number of provinces (districts) and municipals, including Anhui and Fujian, etc, the Company rooted its power business to form a layout along the coast and the rivers. The Company also established Shenwan Energy Company as a platform to develop power business in Anhui area. All 2x600 MW supercritical coal-fired generators of Henan Mengjin Power acquired by the Company were put into operation during the year. Meanwhile, the Company stepped up efforts in building new power plant. Indonesia South Sumatra 2×150 MW coal-fired generators were put into production as planned. Zhunge'er Energy Company Gangue Power Plant 2×330 MW generators, Chenjiagang Power Plant 2×660 MW generators and Taishan Power Plant 2×1,000 MW generators have all passed 168 hours of trial operation.

In 2011, the Company has an additional installed capacity of 8,520 MW, of which, the coal-fired genertaors with 3,640 MW installed capacity were obtained through acquisition. By the end of the year, the total installed capacity amounted to 37,153 MW, representing an increase of 29.8% as compared with 28,633 MW (restated) at the end of last year. As at 31 December 2011, the Company controlled and operated 85 units of coal-fired generator and the average unit capacity was 428 MW.

The Company has put greater efforts in marketing of power business. By combining all market features in different districts, the Company seized the opportunity arising from the decrease of hydraulic power generation as well as increased needs during summer peaks in Southern area etc, thereby recorded a gross power generation for the year, which amounted to 179.97 billion kwh, representing a year-on-year increase of 27.2% (restated). The total power output dispatch amounted to 167.61 billion kwh, representing a year-on-year increase of 27.3% (restated). The average utilization hour of the coal-fired generators of power segment was 5,914 hours, representing an excess of 620 hours as compared with 5,294 hours[7], the average utilization hour of national 6,000 kw and above coal-fired equipment in PRC. In 2011, the power tariff of the Company's coal-fired power plant amounted to RMB341/mwh, representing an increase of RMB7/mwh as compared with RMB334/mwh (restated). At the same time, the Company enhanced the quality management on environment, seriously control the key indicator of energy consumption and built low-carbon environmental-friendly power plant. In 2011, the standard coal consumption for power output dispatch of coal-fired generators was 324g/kwh, 6g/kwh below the average level in the PRC (the standard coal consumption of 6,000 kw and above power output dispatch of power plant in the PRC was 330g/kwh[7]).

Leveraging on the advantage of integration, the Company ensured the coal supply for its power plants. The coal consumption of the power generation of the Company for the year was 80.1 million tonnes, of which 64.2 million tonnes were from internal coal segment, accounting for 80.1% of the total amount.

(III) Railway segment

Railway segment plays an important role as a component of the integrated operation of the Company and contributes an essential part in the mega-sales and mega-logistics strategy. In 2011, under the pressure of inadequate transportation capacity and intensive construction projects, the Company utilized more heavy-loaded trains with capacity of 10,000 tonnes, optimized transportation organization, accelerated wagon turnover and increased the purchase of locomotives to further improve the transport capacity of self-owned railways. In 2011, the transportation turnover of self-owned railway of the Company was 162.3 billion tonne km (2010: 150.3 billion tonne km (restated)), representing a year-on-year increase of 8.0%. The transportation turnover of self-owned railway was 76.5% of total turnover, decreasing by 1.7 percentage points as compared with 78.2% (restated) for 2010 , which was mainly caused by the volume increase in seaborne coal transported to third party ports such as Qinhuangdao Port and Caofeidian Port through state-owned railway.

The capacity expansion and construction of new railways progressed smoothly during 2011. New transportation capacity is expected to be further released during 2013 to 2014. Shenshuo Railway completed the technical renovation of 5 stations, including Daliuta station and Huangyangcheng station, which resulted in a continuous increase of the proportion of trains with 10,000 tonnes loading capacity, and thus the transportation capacity is expected to reach 220 million tonnes per year gradually. As a major channel for the outbound transportation of the Company's coal, Shuohuang Railway is stepping up efforts in capacity expansion and projects upgrading, which are expected to enter service by the end of 2012, upon which the transportation capacity will be further increased to 230 million tonnes per year. The construction of the new Ganquan Railway, Bazhun Railway and Zhunchi Railway went smoothly, with the Jinquan-Ganqimaodu Port segment of the Ganquan Railway entering provisional management and operation. Diandaigou-Erdaohe segment of the second extention line of Dazhun Railway is expected to complete in 2012.

7 Source: 2011 Power Industry Statistics Express, China Electricity Council

(IV) Port segment

The Company owns and operates Huanghua Port and Shenhua Tianjin Coal Dock which are the major transhipment hubs of the Company for coal sales to domestic coastal and overseas markets. The seaborne coal volume of the Company completed by self-owned ports and third party ports amounted to 210.1 million tonnes in 2011, accounting for 54.2% of the total volume of coal sales. Of the total, Huanghua Port and Shenhua Tianjin Coal Dock completed seaborne coal sales of 121.2 million tonnes.

The Company vigorously promoted port construction in 2011. The completion of the project of two-way sea channel in Huanghua Port further improved the capacity and overall functions of the Port. The Phase III project of Huanghua Port with a designed capacity of 50.0 million tonnes is under construction in full swing. Huanghua Port was named one of the first batch of emergency coal reserve bases in China, and will play an increasingly significant role in the national energy transportation system. Shenhua Tianjin Coal Dock managed to overcome adverse factors such as severe weathers and train arrival imbalance to maintain stable and efficient production operations. Application for approval of Phase II project is proceeding in an orderly manner.

(V) Shipping segment

As a platform of the Company's shipping business, Shenhua Zhonghai Shipping Company leveraged on the green channel created by the integrated operation of the Company and its competitive edge in laytime to provide clients with high quality and efficient services at low cost, realizing a rapid growth in 2011. Shenhua Zhonghai Shipping Company has completed shipping volume of 80.6 million tonnes in 2011, and shipment turnover amounted to 71.5 billion tonnes nautical miles. With the company's business chain extending to inland waterway and river transportation, Shenhua Zhonghai Shipping Company will play a more significant role in improving the Company's integrated ability.

IV. Steady implementation of mega-sales strategy

In 2011, The Company enhanced its refined management and system innovation of coal sales, and made new progress in the implementation of mega-sales strategy.

Sales region further expanded. In 2011, taking advantage of the opportunities of the strategic co-operation with local enterprises and the construction of the emergency coal reserve base plan implemented by the Chinese government, the Company further expanded its territory of coal sales by developing the markets in Central China (including Henan, Anhui, Hunan and Jiangxi). Coal from Shengli Mines has been shipped and sold via Caofeidian Port, expanding the sales radius of lignite.

Sales price more market-oriented. The client management system and pricing system of the Company have been improved in 2011, which enabled the coal sales to be more market-oriented. From 1 April 2011, spot price in major markets was determined weekly according to the Price Index of Bohai Bay Thermal Coal. The Company strengthened the sales of spot coal, raising the proportion of spot coal sales to total sales from 42.7% (restated) in the previous year to 54.3% in 2011.

Diversified coal source supply. In addition to selling self-produced coal, the Company also purchased coal from third parties in places such as mining areas and along the railway, started coal-importing business from foreign countries, such as Indonesia, Russia and Mongolia in response to the needs of coal sales and coal blending. The Company also expanded its domestic coal purchase operation, increased market share, enhanced brand awareness and efficacy.

Coal sales hit a new record. Coal sales of the Company reached 387.3 million tonnes in 2011, of which sales of coal purchased from third parties amounted to 105.0 million tonnes, accounting for 27.1% of the total sales volume.

(1) Domestic and export sales

	2011			2010 (Restated)			
	Sales volume	Proportion to total sales	Price	Sales volume	Proportion to total sales	Price	Change in price
	million tonnes	%	RMB/tonne	million tonnes	%	RMB/tonne	%
Domestic sales	**381.7**	**98.6**	**431.3**	302.8	96.7	404.0	6.8
Long-term contract sales	**171.7**	**44.3**	**337.8**	169.0	54.0	362.1	(6.7)
Mine mouth	**11.4**	**2.9**	**162.3**	6.2	2.0	162.9	(0.4)
Direct arrival (along railway)	**80.5**	**20.8**	**251.0**	75.6	24.1	262.8	(4.5)
Seaborne	**79.8**	**20.6**	**450.5**	87.2	27.9	462.4	(2.6)
Spot sales	**210.0**	**54.3**	**507.7**	133.8	42.7	457.0	11.1
Mine mouth	**40.6**	**10.5**	**171.0**	25.1	8.0	142.2	20.3
Direct arrival (along railway)	**44.7**	**11.6**	**473.0**	35.7	11.4	406.2	16.4
Seaborne	**124.7**	**32.2**	**629.7**	73.0	23.3	590.0	6.7
Export Sales	**5.6**	**1.4**	**747.7**	10.3	3.3	566.5	32.0
Total sales volume/weighted average price	**387.3**	**100.0**	**435.8**	313.1	100.0	409.4	6.4

In 2011, domestic sales volume of the Company was 381.7 million tonnes (2010: 302.8 million tonnes (restated)), representing a year-on-year increase of 26.1% and accounted for 98.6% of the total coal sales volume, among which, the spot coal sales volume was 210.0 million tonnes (2010: 133.8 million tonnes (restated)), representing an increase of proportion to total sales volume from 42.7% (restated) in 2010 to 54.3% in 2011.

In 2011, the Company's domestic seaborne coal sales volume was 204.5 million tonnes while the national coal transhipment volume for domestic coal sales through domestic ports was 639 million tonnes, based on which the market share of China Shenhua in coastal coal markets was estimated at approximately 32.0%. In 2011, the weighted average domestic coal sales price of the Company was RMB431.3/tonne (2010: RMB404.0/tonne (restated)), representing a year-on-year increase of 6.8%.

In 2011, the sales volume of the Company to the top five domestic coal customers was 45.5 million tonnes, which accounted for 11.9% of the total domestic sales volume, of which, the sales volume to the largest customer was 12.8 million tonnes, which accounted for 3.4% of total domestic sales volume. The top five domestic coal customers were primarily either power generation companies or fuel companies.

(2) Sales to external customers and internal power segment

	2011			2010 (Restated)			
	Sales volume	**Percentage**	**Price**	Sales volume	Percentage	Price	Change in price
	million tonnes	**%**	**RMB/tonne**	million tonnes	%	RMB/tonne	%
Sales to external customers	**313.8**	**81.0**	**446.5**	254.2	81.2	417.4	7.0
Sales to internal power segment	**73.5**	**19.0**	**390.4**	58.9	18.8	374.7	4.2
Total sales volume/weighted average price	**387.3**	**100.0**	**435.8**	313.1	100.0	409.4	6.4

In 2011, coal sales volume of the Company to external customers was 313.8 million tonnes (2010: 254.2 million tonnes (restated)), representing a year-on-year increase of 23.4%. Coal sales price to external customers increased by 7.0% year-on-year to RMB446.5/tonne from RMB417.4/tonne. In 2011, the sales volume of the Company to the top five external coal customers was 45.5 million tonnes, which accounted for 11.7% of the total sales volume.

Sales of coal to internal power segment is a unique model of integrated operation of the Group. In 2011, the volume of coal sales of the Company to the power segment of the Group was 73.5 million tonnes (2010: 58.9 million tonnes (restated)), and its proportion to total sales volume of coal was 19.0%, remaining basically flat as compared with that of the same period of last year. The sales of coal to the power segment of the Group was mainly conducted under long-term contracts. The sales price increased by 4.2% to RMB390.4/tonne from RMB374.7/tonne (restated).

The Company adopts the same pricing policy for the sales of coal to internal power segment and external customers.

V. Proactively carried out assets injection and mergers and acquisitions

In 2011, Shenhua Group injected coal, power and other related assets into the Company, further boosting the Company's coal reserve, production and sales volume. Assets injected during the year contributed to the Company a total commercial coal production volume of 30.2 milllion tonnes, total commercial coal sales volume of 27.6 million tonnes and net profit attributable to the owners of parent of RMB1,656 million in 2011.

In 2011, the Company obtained 51% equity interests in Mengjin Power by acquisition. The 2×600 MW power generation units of the phase I project were put into operation during the year, realizing an annual power output dispatch of 2.54 billion kwh in total. The Company established Shenwan Energy Company in Anhui, and leveraged it as a platform to develop new power business. Through acquisition, the Company's installed capacity increased by 3,640 MW, accounting for 42.7% of the new installed capacity of the Company and laying a solid foundation for the future expansion of power generation business. New power sources also expanded the Company's presence of coal sales and further increased market radius.

On 15 February 2012, the Company's second session of the Board convened its 21st meeting in written form, during which it considered and approved by writing to obtain a controlling interest in Sichuan Bashu Electric Power Development Co., Ltd. by way of capital contribution in cash and increasing share capital. The Company operated its power segment in the South-West region for the first time, which is conducive to the development of the Company in that region.

On 1 March 2012, the Company's acquisition of the equity interests or assets of four companies engaged in power and coal related businesses held by Shenhua Group Corporation and its subsidiaries was approved at the 22nd meeting of the second session of the Board of the Company. This acquisition will further expand the Company's business scale, improve its business structure and enhance its integrated advantages.

Business Target for 2012[8]

In 2012, against the backdrop of uncertainties in global environment and the domestic economic growth, the Company is confronted with increased pressures in its operation. And yet, the Company's integrated synergy has also become more appealing. Adhering to the philosophy of value creation as the core and enhancing development quality as the primary trend, the Company will seize the opportunity and make progress while maintaining stability so as to further sharpen its competitive edge and strengthen its sustainability.

8 In determining the business target for 2012, the Company has taken into consideration the macro economy, the industrial policy, the global environment and the volatile coal and power market. However, the above factors are relatively uncertain, which may affect the Company's actual business performance in 2012.

Major business targets set by the Company for 2012 are as follows:

Item	Unit	Target of 2012[Note]	Accomplishment in 2011	Percentage change of the target of 2012 to the accomplishment in 2011 (%)
Commercial coal production	million tonnes	**289.9**	281.9	2.8
Coal sales	million tonnes	**410.5**	387.3	6.0
Total power output dispatch	billion kwh	**199.6**	167.61	19.1

Note: The 2012 business target does not include the 2012 business target of the Target Companies, the acquisition of which was approved at the 22nd meeting of the second session of the Board of the Company held on 1 March 2012.

The growth in output of the Company's self-produced commercial coal in 2012 is realized mainly through the increase in production growth and capacity expansion of the existing coal mines. The mines which will ramp up production chiefly include Daliuta mine, Jinjie mine, Baorixile open-cut mine, Beidian Shengli open-cut mine and Ha'erwusu open-cut mine. The Company will continue to carry out the business of coal purchased from third parties so as to maintain stable growth in the coal operations on an on-going basis.

The Company shall further leverage on its advantage as an integrated coal and power operator, to speed up the operation of new power plants and acquisitions of new power source, increase installed capacity, strengthen marketing, consolidate and raise direct power output dispatch and the power produced in excess of the planned power output, and strive for the achievement of sales target for power output. The major contributors of power-generation companies for additional power output dispatch in 2012 are Chenjiagang Power Plant, Mengjin Power, Shenwan Energy Company and Bashu Power Company, etc.

Review on the consolidated operating results

1. Consolidated comprehensive income

No	Projects	2011	2010 (Restated)	Percentage change	Reasons for change
		RMB million	RMB million	%	
1	Revenues	**208,197**	157,662	32.1	Mainly attributable to the increase in coal sales and power output dispatch, and the increase in the price of spot coal sales
	Of which: Domestic market	**204,691**	151,850	34.8	
	Asia Pacific market	**3,506**	5,732	(38.8)	
	Other markets	**–**	80	(100.0)	
2	Cost of revenues	**128,092**	90,142	42.1	The increase in volume of coal and power operations resulted in the increase in relevant expenses, of which the cost of coal purchased from third parties and transportation cost recorded a significant increase
3	Selling, general and administrative expenses	**10,973**	9,219	19.0	Mainly attributable to the increase in the wages of management staff, relevant taxes and other management expenses
4	Finance income	**1,082**	1,397	(22.5)	Mainly attributable to the decrease in interest income
5	Investment income	**1**	174	(99.4)	Mainly attributable to the gain on investment arising from disposal of subsidiaries last year, no such gain was recorded during the reporting period
6	Income tax [Note]	**13,951**	11,473	21.6	Mainly attributable to increase in taxable profit arising from the increase in operating revenue. The effective income tax rate for the Group was 21.0%, representing an increase of 0.5 percentage point from 20.5% (restated) in 2010.

Note: Please refer to Note 10 of the financial statements in this report headed "Income tax" for the details regarding the preferential tax benefit enjoyed by the Group.

2. Consolidated financial position

No	Projects	2011	2010 (Restated)	Percentage change	Reasons for change
		RMB million	RMB million	%	
1	Property, plant and equipment, net	**219,904**	188,061	16.9	Mainly attributable to the increase in machinery and equipment related to power generation and coal mines transferred from construction in progress, and the increase in railway and port structures
2	Construction in progress	**34,169**	33,088	3.3	Mainly attributable to the capacity expansion and reconstruction projects of the Bazhun, Ganquan and Shuohuang Railway under construction and power plants under construction
3	Other non-current assets	**18,746**	12,605	48.7	Mainly attributable to the increase in prepayment in connection with construction works and purchase of equipment and the increase in initial payment for the Xinjie mine
4	Deferred tax assets	**933**	468	99.4	Mainly due to the increase in unrealized profit of the Group's internal sales
5	Inventories	**12,628**	11,574	9.1	Mainly attributable to the increase in inventory of spare parts, ancillary parts and coal related to the Company's businesses such as coal and power, etc.
6	Accounts and bills receivable, net	**13,365**	11,424	17.0	Receivables for coal and power sales increased during the reporting period, which mainly represent receivables aged within one year (included one year)
7	Restricted bank deposits	**4,115**	2,052	100.5	Mainly attributable to the increase in the statutory deposit reserve deposited in the People's Bank of China by Shenhua Finance Company, and the funds of restricted usage, such as the coal mine industry transformation fund
8	Cash and cash equivalents	**61,437**	77,212	(20.4)	Mainly aimed at increasing the efficiency of internal fund utilization and reducing external borrowings

No	Projects	2011	2010 (Restated)	Percentage change	Reasons for change
		RMB million	RMB million	%	
9	Accounts and bills payable	**23,668**	19,661	20.4	Mainly attributable to the increase in payables for the construction works and equipment related to power plant construction and coal mining
10	Income tax payable	**7,925**	4,558	73.9	Mainly attributable to increase in taxable profit arising from the increase in operating revenue

As at 31 December 2011, the Group's gearing ratio (total liabilities/total assets) was 34.1% (31 December 2010: 36.2% (restated)), repesenting a year-on-year decrease of 2.1%. The interest cover ratio (profit before interest and tax/interest expenses) was 19.7 times (2010: 14.7 times (restated)).

3. Consolidated cash flows

No	Projects	2011	2010 (Restated)	Percentage change	Reasons for change
		RMB million	RMB million	%	
1	Cash generated from operations	**84,656**	70,852	19.5	Mainly from the increase in revenue from sales of coal and power
2	Capital expenditure	**44,713**	30,538	46.4	Mainly used in the capacity expansion of existing mines and railways, and the construction of new railway lines
3	Acquisition of subsidiaries	**1,666**	(473)	452.2	Payment of consideration for acquiring the equity interests in Mengjin Power, Shenwan Energy acquiring the equity interest in the three power companies during the reporting period
4	Net increase in restricted bank deposits	**2,063**	73	2,726.0	Mainly due to the increase in statutory deposit reserve deposited by Shenhua Finance Company in the People's Bank of China
5	Repayment of entrusted loan from a third party	**3,000**	30	9,900.0	The entrusted loan of RMB3.00 billion was collected during the reporting period
6	Proceeds from borrowings	**4,671**	31,548	(85.2)	Mainly because less loans were obtained during the reporting period as compared with the same period of last year
7	Repayments of borrowings	**20,814**	42,225	(50.7)	Mainly because less loans were repaid during the reporting period as compared with the same period of last year

Review on operating results by segment

1. Coal Segment

The operating results of the coal segment of the Group before elimination on consolidation in 2011 were as follows:

		2011	2010 (Restated)	Change	Reason for change
Revenues	RMB million	**172,318**	131,649	30.9%	Increased coal sales and price
Cost of revenues	RMB million	**117,986**	86,066	37.1%	Mainly due to the increase in the cost of coal purchased from third parties, coal transportation charges, and the costs of raw materials, fuel and power in relation to coal production
Of which: 1. Cost of coal production	RMB million	**33,500**	26,853	24.8%	Mainly due to the increase in the production volume of coal and unit production cost
2. Cost of coal purchased from third parties	RMB million	**45,753**	26,437	73.1%	(1) Sales of coal purchased from third parties has increased substantially in 2011 to 105.0 million tonnes (2010: 72.0 million tonnes (restated)), representing an increase of 33.0 million tonnes or 45.8%. Its proportion to total sales has increased from 23.0% (restated) in 2010 to 27.1% in 2011; (2) Increase in unit purchasing cost of coal purchased from third parties, which was RMB435.7/tonne in 2011 (2010: RMB367.2/tonne (restated)), representing a year-on-year increase of RMB68.5/tonne or 18.7%.
Gross profit margin	%	**31.5**	34.6	Decreased by 3.1 percentage points	–
Profit from operations	RMB million	**46,809**	39,142	19.6%	–
Margin of profit from operations	%	**27.2**	29.7	Decreased by 2.5 percentage points	–
Profit from operations/ average total assets during the reporting period	%	**24.7**	26.9	Decreased by 2.2 percentage points	–

In 2011, unit production cost of self-produced coal in the coal segment was RMB118.7/tonne (2010: RMB111.4/tonne (restated)), representing a year-on-year increase of 6.6%. The main reasons affecting the unit production cost are:

1. Costs of raw materials, fuel and power were RMB22.8/tonne (2010: RMB21.9/tonne (restated)), representing a year-on-year increase of 4.1%. This increase was mainly due to the increased costs of spare parts, materials, fuel and power in relation to coal mining as a result of mining extension;

2. Personnel expenses were RMB14.6/tonne (2010: RMB14.1/tonne (restated)), representing a year-on-year increase of 3.5%. This increase was mainly due to the increase in the number of employees and the rise of wages;

3. Repairs and maintenance were RMB7.5/tonne (2010: RMB9.8/tonne (restated)), representing a year-on-year decrease of 23.5%. This decrease was mainly due to the impact of the major overhaul cycle of machinery and the comparatively high growth rate of production at certain open-cut mines that incurred lower repair expenses, which diluted the overall unit cost for repairs and maintenance;

4. Depreciation and amortisation were RMB20.8/tonne (2010: RMB21.2/tonne (restated)), representing a year-on-year decrease of 1.9%. This decrease was mainly due to (1) the higher growth rate of coal sales as compared with that of depreciation and amortisation; (2) the comparatively high growth rate of production at Beidian Shengli open-cut mine and Baorixile open-cut mine with lower depreciation costs, which diluted the overall unit cost for depreciation and amortisation of the Group;

5. Other costs were RMB53.0/tonne (2010: RMB44.4/tonne (restated)), representing a year-on-year increase of 19.4%. This increase was mainly due to the increase in environmental protection related expenses. Other costs consist of the following three components: (1) expenses directly related to production, including production maintenance and safety expenses, washing, selecting and processing expenses, mining engineering expenses, etc., accounting for approximately 58%; (2) auxiliary production expenses, accounting for approximately 7%; (3) land claiming and surface subsidence compensation, environmental protection expenses, local levy expenses, etc., accounting for approximately 35%.

2. Power segment

The operating results of the power segment of the Group before elimination on consolidation in 2011 were as follows:

		2011	2010 (Restated)	Change	Reason for change
Revenues	RMB million	**59,240**	45,530	30.1%	Increase in power output dispatch
Cost of revenues	RMB million	**46,715**	35,331	32.2%	Mainly due to the price rise of coal consumed for power generation and and personnel expenses
Gross profit margin	%	**21.1**	22.4	Decreased by 1.3 percentage points	–
Profit from operations	RMB million	**10,087**	8,171	23.4%	–
Margin of profit from operations	%	**17.0**	17.9	Decreased by 0.9 percentage point	–
Profit from operations/ average total assets during the reporting period	%	**7.7**	6.8	Increased by 0.9 percentage point	–

The unit cost of power output dispatch of 2011 was RMB275.2/mwh (2010: RMB264.7/mwh (restated)), representing a year-on-year increase of 4.0%. This increase was mainly attributable to the increase in the costs of raw materials, fuel and power as a result of the rise in coal price, and the increase in personnel expenses due to increased number of employees and rise of wages.

3. Railway Segment

The operating results of the railway segment of the Group before elimination on consolidation in 2011 were as follows:

		2011	2010 (Restated)	Change	Reason for change
Revenues	RMB million	**22,926**	21,306	7.6%	The volume of railway transportation of the Company increased as the production and sales volume of coal increased
Cost of revenues	RMB million	**11,902**	10,873	9.5%	The volume of railway transportation increased, elevating the related costs of repairs and maintenance, personnel expenses and materials, fuel and power
Gross profit margin	%	**48.1**	49.0	Decreased by 0.9 percentage point	–
Profit from operations	RMB million	**9,896**	9,690	2.1%	–
Margin of profit from operations	%	**43.2**	45.5	Decreased by 2.3 percentage points	–
Profit from operations/ average total assets during the reporting period	%	**17.4**	21.3	Decreased by 3.9 percentage points	–

The revenue generated from the internal transportation service provided by the railway segment for the Group amounted to RMB20.181 billion in 2011 (2010: RMB19.021 billion (restated)), representing a year-on-year increase of 6.1%; accounting for 88.0% of the operating revenue of the railway segment. Meanwhile, certain railway lines of the Group utilized the excessive transportation capacity to provide transportation services to third parties, generated transportation revenue.

The unit transportation cost in the railway segment was RMB0.072/tonne km in 2011 (2010: RMB0.071/ tonne km), representing a year-on-year increase of 1.4%.

4. Port Segment

The operating results of the port segment of the Group before elimination on consolidation in 2011 were as follows:

		2011	2010 (Restated)	Change	Reason for change
Revenues	RMB million	**2,820**	2,600	8.5%	Mainly due to the increase in operating revenue brought by the growth in seaborne coal of the Company
Cost of revenues	RMB million	**1,833**	1,836	(0.2%)	Mainly due to the year-on-year decrease in port dredging expenses
Gross profit margin	%	**35.0**	29.4	Increased by 5.6 percentage points	–
Profit from operations	RMB million	**729**	512	42.4%	–
Margin of profit from operations	%	**25.9**	19.7	Increased by 6.2 percentage points	–
Profit from operations/ average total assets during the reporting period	%	**6.3**	5.0	Increased by 1.3 percentage points	–

The revenue generated from the internal transportation service provided by the port segment for the Group amounted to RMB2.673 billion in 2011 (2010: RMB2.448 billion), representing a year-on-year increase of 9.2% and accounting for 94.8% of the operating revenue of the port segment. The unit cost of internal transportation service provided for the Group was RMB14.2/tonne (2010: RMB15.6/tonne), representing a year-on-year decrease of 9.0%. This decrease was mainly due to a year-on-year decrease in port dredging expenses.

5. Shipping Segment

The operating results of the shipping segment of the Group before elimination on consolidation in 2011 were as follows:

		2011	2010 (Restated)	Change
Revenues	RMB million	**5,099**	1,561	N/A
Cost of revenues	RMB million	**4,377**	1,353	N/A
Gross profit margin	%	**14.2**	13.3	N/A
Profit from operations	RMB million	**681**	150	N/A
Margin of profit from operations	%	**13.4**	9.6	N/A
Profit from operations/average total assets during the reporting period	%	**21.8**	6.9	N/A

Note: The data and indicators for 2010 in the table above refer to the period from July to December 2010.

The unit transportation cost in the shipping segment in 2011 was RMB0.061/tonne nautical miles.

The Company's investments

1. Completion status of capital expenditure and plan for 2012

	Plan for 2012	Accomplishment in 2011	Percentage change of plan for 2012 to accomplishment in 2011	Percentage of each business plan to total plan for 2012
	RMB100 million	RMB100 million	%	%
Coal segment	**164.4**	157.89	4.1	32.8
Power segment	**28.1**	66.57	(57.8)	5.6
Transportation segment	**298.8**	153.08	95.2	59.7
Others	**9.3**	3.44	170.3	1.9
Total	**500.6**	380.98	31.4	100.0

Note: The 2012 capital expenditure plan excludes the 2012 capital expenditure plan of the target company, the acquisition of which was approved at the 22nd meeting of the second session of the Board of the Company held on 1 March 2012.

Total capital expenditure of 2011 amounted to RMB38.098 billion, which was mainly used in the renovation and expansion project of the Shendong Mines coal selecting plant, the capacity expansion projects of Heidaigou open-cut mine and Ha'erwusu open-cut mine, the construction of Huangyuchuan Mine and Lijiahao Mine; the PT.GH EMM Indonesia Project, the construction project of Chenjiagang 2x660 MW generators and phase 2 of the Taishan Power Plant project; the capacity expansion and reconstruction project of Shuohuang Railway, the construction of the new Ganquan Railway, Bazhun Railway and the building of vessels, etc.

Total capital expenditure of 2012 amounted to RMB50.06 billion, which is mainly used in purchasing mining equipment for Shendong Mines, capacity expansion and reconstruction project of Ha'erwusu mine, the construction of phase 1 of Zhundong Wucaiwan Power Plant and other new power plants, the capacity expansion and renovation work of Shuohuang Railway, constructing the new Ganquan, Bazhun and Zhunchi Railway and purchasing wagons, phase 3 of Huanghua Port and building of vessels, etc.

The current plans of the Company in relation to capital expenditures in 2012 are subject to 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 responsibilities 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 and other debt and equity financing.

2. External Equity Investments

The equity investments of the Company in 2011 amounted to RMB21.611 billion, representing an increase of RMB14.630 billion or 209.6% from RMB6.981 billion (restated) in last year. The investments were primarily the acquisition of the equity interests in some companies engaging in coal, power and related businesses which are held by Shenhua Group Corporation and its subsidiaries, the capital contribution to subsidiaries such as Shendong Power Company, Ganquan Railway Company, etc., the establishment of new subsidiaries such as Zhunchi Railway Company, Trading Group, as well as the acquisition of Mengjin Power, etc.

3. Usage of raised funds

In September 2007, the Company issued 1.8 billion A shares at the price of RMB36.99 per share via an initial public offering. The net amount of proceeds was RMB65.988 billion. As of 31 December 2011, the accumulated amount of proceeds used by the Company was RMB46.267 billion, of which an accumulated amount of RMB30.267 billion was used for investments. During the reporting period, the Company had used RMB12.487 billion in the proceeds.

On the 11th meeting of the second session of the Board of the Company held on 18 March 2011, the Board considered and approved RMB6.500 billion of the proceeds for temporary liquidity replenishment, for a period of six months since 21 March 2011. The Company returned the RMB6.500 billion to the designated account of the proceeds on 20 September 2011.

On the 18th meeting of the second session of the Board of the Company held on 28 September 2011, the Board approved using RMB6.500 billion of the proceeds for temporary liquidity replenishment, for a period of six months since 29 September 2011, which is liable to return to the designated account for the proceeds upon expiry.

As at 31 December 2011, the balance of unused proceeds (less RMB6.500 billion used to temporarily replenish the Company's working capital) were RMB13.221 billion. The proceeds were kept in our designated account for the proceeds (balance of the designated account for proceeds was RMB15.640 billion in total, the difference being interest income from the bank deposit).

For progress of projects funded by the proceeds, please refer to "Special Report on Deposit and Use of Proceeds of China Shenhua Energy Company Limited" published on 24 March 2012.

Name of project committed	Whether it is an amended project	Amount committed	Actual amount invested from the date of the proceeds received to the end of the reporting period	Of which: amount invested in the reporting period	Return (total profit) generated during the reporting period	The percentage of the return generated to the total combined profits of the Company of the same period	Whether progress is on schedule	Whether the anticipated return is achieved
		RMB'10,000	RMB'10,000	RMB'10,000	RMB'10,000	%		
I. Investments and renovation of coal, power and transportation system	No	1,668,875	1,537,819	–	N/A			
Of which: Halagou Mine project	No	169,300	169,300	–	93,689	1.44	Yes	Yes
Buer'tai mine construction project	No	344,815	344,815	–	91,904	1.41	Yes	Yes
Ha'erwusu open-cut mine project	No	538,600	538,600	–	120,439	1.85	Yes	Yes
Baoshen Railway TDCS Dispatching Command System	No	2,028	2,028	–	N/A	N/A	Yes	
The 2nd extension line of Baoshen Railway, from Shigetai to Ciyaowan	No	4,553	4,553	–	N/A	N/A	Yes	

Name of project committed	Whether it is an amended project	Amount committed	Actual amount invested from the date of the proceeds received to the end of the reporting period	Of which: amount invested in the reporting period	Return (total profit) generated during the reporting period	The percentage of the return generated to the total combined profits of the Company of the same period	Whether progress is on schedule	Whether the anticipated return is achieved
		RMB'10,000	RMB'10,000	RMB'10,000	RMB'10,000	%		
The 2nd extension line of Baoshen Railway, from Dongsheng to Shigetai	No	5,311	5,311	–	N/A	N/A	Yes	
Purchase of locomotives	No	16,800	16,800	–	N/A	N/A	Yes	
Yijing substation, treatment of pollution by power generation	No	3,649	3,649	–	N/A	N/A	Yes	
Truck management information system	No	547	547	–	N/A	N/A	Yes	
Shenshuo Railway infrared detecting encryption works	No	300	300	–	N/A	N/A	Yes	
Purchase coal wagon C70	No	160,000	159,200	–	N/A	N/A	Yes	
Huanghua Port cargo dumper improvement works	No	4,426	–	–	N/A	N/A		
Hebei Sanhe power plant phase II	No	31,602	–	–	N/A	N/A		
Inner Mongolia Guohua Zhunge'er power plant expansion project	No	35,400	33,394	–	7,796	0.12	Yes	Yes
Zhejiang Ninghai power plant phase II	No	105,822	91,883	–	81,222	1.25	Yes	Yes
Phase II of Shaanxi Jinjie coal and power integration project	No	64,050	64,050	–	184,168	2.83	Yes	Yes
Hebei Huanghua power plant phase II	No	48,690	40,824	–	29,768	0.46	Yes	Yes
Hebei Dingzhou power plant phase II	No	45,500	41,493	–	25,149	0.39	Yes	Yes
Liaoning Suizhong power plant phase II	No	87,482	21,072	–	26,291	0.40	Yes	Yes
II. Supplement working capital of the Company and for general business purpose	No	1,600,000	1,600,000	–	N/A	N/A	N/A	N/A
III. Acquisition of strategic assets	No	3,329,963	1,488,898	1,248,696	N/A	N/A	N/A	N/A
Total	–	6,598,838	4,626,717	1,248,696	–	–	–	–

4. Material investment on non-raised capital

As at 31 December 2011, the Group has no projects with material Investment, which has a total investment amount exceeding 10% or above of the Group's latest audited net assets, on non-raised capital.

5. Entrusted loans

As at 31 December 2011, the Group has neither granted entrusted loans with an amount exceeding 10% or above of the Group's latest audited net assets to any individual party, nor was there entrusted loans that have expired or were involved in litigations. The Company did not utilise the proceed raised to grant entrusted loans.

As at the end of the reporting period, the balance of entrusted loans that the Company granted to its non-wholly owned subsidiaries amounted to RMB31.636 billion; the balance of entrusted loans that the Company's subsidiaries granted to its non-wholly owned subsidiaries and associated companies amounted to RMB4.401 billion. The relevant interest income generated by the foregoing entrusted loans during the reporting period was RMB1.614 billion.

The entrusted loans of the Group forms an integral part of the Group's centralized capital management system. The entrusted loans were provided to subsidiaries and their subsidiaries which are short of funds to meet construction and operating needs. The borrowers of the entrusted loans are capable to repay and are repaying the principal with interest on schedule.

6. Transactions of derivative instruments

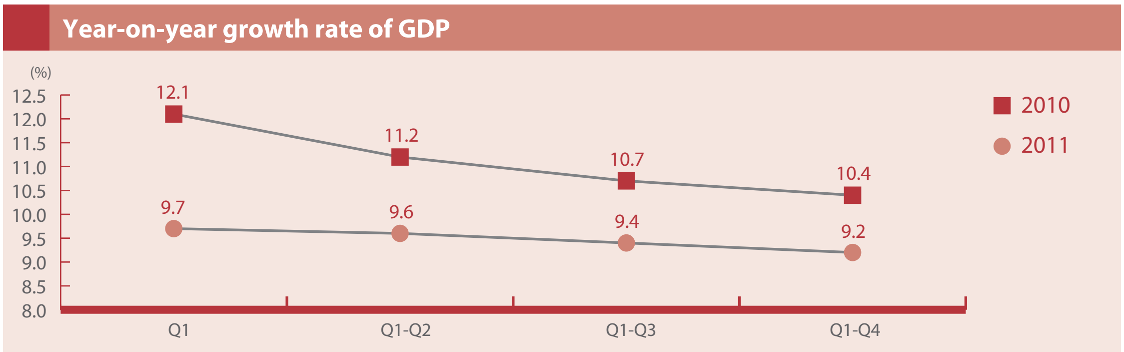
The swap transaction conducted by the Company targets at borrowings denominated in Japanese Yen and aims at hedging the borrowings denominated in Japanese Yen instead of gaining from investment. The amount of swap transaction takes a relatively small proportion in the total amount of borrowings denominated in Japanese Yen, as such the exposure to liquidity risk is under control.

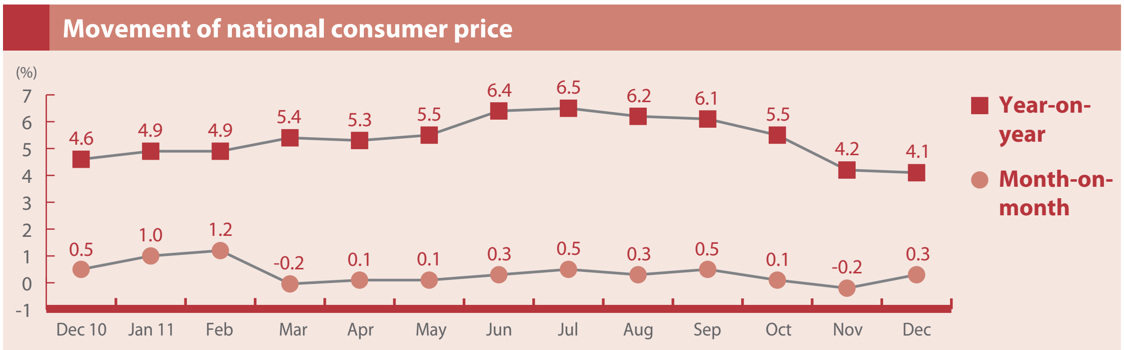
As at 31 December 2011, the amount of swap contracts totalled to RMB984 million. Gain from swap contracts for the reporting period amounted to RMB119 million.

Review and prospect of business environment[9]

(I) Macroeconomic conditions

In 2011, amid the capricious internal and external economic environment, the national economy of China showed positive signs with faster growth and stabilized prices. GDP for the year amounted to RMB47,100 billion, representing a year-on-year growth of 9.2%. The consumer price index (CPI) for the year showed a year-on-year increase of 5.4%.





Currently the economic and social development of China is still under the stage of strategic opportunity resulting from urbanization, industrialization and coordinated regional development, and the economy shall continue to grow steadily. Due to the complicated environment from both home and abroad at the moment, the Chinese economy shall mainly deal with the downward fluctuation in economic development and the pressure of possible rise in prices.

Looking forward to 2012, the central government shall keep rolling out active fiscal policies and prudent monetary policies. The macroeconomic condition of China will fulfuill the theme of "making progress while maintaining stability" with an expected annual GDP growth rate of 7.5%. Macroeconomic growth is beneficial to the increase in energy demand, including coal.

9 This section is for information only and does not constitute any investment advice. The Company has used its best endeavors to ensure the accuracy and reliability of information in this section, but does not assume any liability or provide any form of guarantee for the accuracy, completeness or validity of all or part of its content. If there is any error or omission, the Company does not assume any liability. The content in this section may contain certain forward looking statements based on subjective assumptions and judgments of future political and economic developments; therefore there may exist uncertainties in these statements. The Company does not undertake any responsibility in updating the information or correcting any subsequent error that may appear. The opinions, estimates and other data set out herein can be amended or withdrawn without further notice. The data contained in this section is mainly derived from sources such as the National Bureau of Statistics, China Coal Market Network, China Coal Resource Network and China Electricity Council, etc.

(II) Market environment of the coal industry

1. Thermal coal market in China

Item	2011	2010
Raw coal output (million tonnes)	**3,520**	3,238
Coal transportation by railway (million tonnes)	**2,269**	2,007
Coal import (million tonnes)	**182**	163
Coal export (million tonnes)	**14.6**	12.0

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

Review for 2011

Coal production and transportation in China maintained a faster growth in 2011. Market demand was high and the spot price dropped from its peak. Supply could generally meet demand except for temporary short supply for power and coal in certain regions. An anti-season phenomenon of "neither slack in weak season nor booming in peak season" was recorded during the year. Coal export kept on dropping while import reached record high. The FOB spot price of Qinhuangdao thermal coal (5,500 kcal/kg) peaked at RMB860/tonne and bottomed at RMB815/tonne at the end of the year.

Coal supply grew stably following the completion in modification and the commencement of production of the newly built, modified or integrated coal mines. Domestic output of raw coal for the year amounted to 3,520 million tonnes, representing a year-on-year growth of 8.7%.

Domestic coal-fired power generation for the year amounted to 3,813.73 billion kwh, representing a year-on-year growth of 13.9%; crude steel output amounted to 683 million tonnes, representing a year-on-year growth of 8.9%; cement output amounted to 2,063 million tonnes, representing a year-on-year growth of 16.1%. The demand of coal achieved faster growth in 2011 as motivated by the rapid growth of major coal consuming industries.

In 2011, the national volume of coal transported by railway was 2,269 million tonnes, representing a year-on-year increase of 13.4%, in which the Daqin Railway amounted to 440 million tonnes, representing a year-on-year increase of 8.7%. Seaborne coal volume through major northern ports reached 580 million tonnes, representing a year-on-year growth of 17.1%.

The changes emerged in the regional supply and demand landscape in 2011 became a new characteristic of the Chinese coal market. Henan, Guizhou and Anhui, being the traditional sources of outbound coal volume recorded noticeable decreases in outbound coal volume in recent years due to the economic growth and fast growing energy demand in the central region of China, in contrast with the continued increase in the demand for coal in regions of inbound coal including Hubei, Hunan, Jiangxi and Guangxi. The change in regional supply and demand landscape has increased the difficulty in achieving a balanced demand and supply, and it also increased the difficulty in coordinating daily supply and railway transportation.

The overall price increases in production factors including materials, fuel and personnel expenses, together with the increasing expenses in energy conservation and emission reduction, production safety and environmental protection, led to a continuous increase in the unit production cost of coal for coal enterprises.

National coal import stepped up in 2011 along with the international coal prices rising at the beginning and dropped at the end. China imported a total of 167 million tonnes of coal during the year, representing a year-on-year growth of 15.2%, and became a net importer of coal for three consecutive years.

Prospect for 2012

Uncertainties in the global context shall pose an impact to the stability of domestic economic growth. As China's economic growth is expected to slow down in 2012, a slower yet steady growth is estimated for the coal demand from major coal consuming industries such as power, iron and steel, construction materials and chemicals, etc.

As the consolidation of coal mines in certain provinces (regions) including Shanxi and Hebei is nearly completed, the future production volume is expected to maintain a steady and non-exponent growth. Due to limited transportation capacity, the coal production capacity in the Northwestern region was confined. The thermal coal market is estimated to witness ample supply in major producing areas as well as undersupply in non-producing areas, and the Central and Southern regions shall face tight supply frequently. With the slightly tight railway transportation capacity during the peak season of coal consumption, it is estimated that the coastal market will still experience tight coal supply in the peak season.

Due to mandatory increase in staff wages and policy factors, it is expected that coal production cost will continue to rise. The government will implement more strict standards for environment protection and production safety in the "Twelfth Five-year Plan" period. Also the resource tax reform and other measures will push up the policy costs for coal enterprises. It is estimated that the production cost of the coal industry will continue to increase in 2012.

It is expected that the coal demand in Europe and America will continue to weaken, whereas Asia-Pacific markets such as China, India and Japan will keep their growth momentum. China is expected to remain as a net importer of coal in 2012.

Domestic coal demand in 2012 is expected to continue its growth, albeit at a slower pace. Coal production capacity will increase steadily but, due to the inadequate transportation capacity, will contribute limited increment to effective coal supply. Coal supply and demand are expected to maintain an overall balance, yet with regional or occasional coal surplus or deficit.

2. Thermal coal market in Asia Pacific region

Review for 2011

In 2011, the European debt crisis and the slow-down of emerging economies resulted in lowered demand for coal in certain regions. Hence, the international coal market shifted from undersupply at the beginning of the year to balanced with slight surplus at the end of the year. Thermal coal prices started high but dropped since then.

Japan imported 164 million tonnes of coal in the year, representing a year-on-year decrease of 3.0%. China posted a year-on-year increase of 11.6% in coal import to 182 million tonnes, and India imported 84 million tonnes of thermal coal in last three quarters of 2011, representing a year-on-year increase of 11.7%.

In 2011, the exports of major coal exporting countries continued their growth momentum. Thermal coal export in Australia reached 147 million tonnes, representing a year-on-year growth of 4.2%. Coal export in Indonesia amounted to 292 million tonnes, representing a year-on-year growth of 11.1%

Thermal coal price in the Asia-Pacific region experienced a roller coaster ride in 2011 – significant rise in spot prices of thermal coal in the beginning of 2011 as a result of the Australian flood and Japanese earthquake, and the subsequent price drop in the second half of the year, which saw the Australia BJ thermal coal spot price peaked off from USD134/tonne to USD115/tonne at the end of December.

Prospect for 2012

As a result of the stagnant macro-economic environment, it is expected that coal demand from Europe and America will decline, while China and India in the Asia Pacific region will become the major coal importers in 2012. In addition, Japan's demand for coal will realize growth as its economy gradually recovers.

Moderate rise in the growth of coal supply is expected in the Asia-Pacific region in 2012. As the effect of the flood in Australia diminished, export will be on par with that of 2011 or see a slight increase; in Indonesia, coal export growth will be limited by its insufficient railway and port transportation capacity and the potential coal export tax policies; thermal coal export volume to Asia from countries such as South Africa and Russia is also expected to grow.

The supply and demand of the international coal market shall maintain an overall equilibrium in 2012. The international thermal coal spot prices will remain at the average level of 2011.

(III) Market environment of the power industry

Review for 2011

In 2011, power consumption exhibited minor fluctuations and slight reduction. The growth rate of power consumption in China peaked off from 15.8% in February to 10.6% in December.

The power supply capacity steadily increased. In 2011, the nation's total power generation reached 4,721.7 billion kwh, representing a year-on-year increase of 11.68%. As at the end of the year, the national installed capacity of power generators reached 1.056 billion KW, representing a year-on-year growth of 9.2%, of which the proportion of installed capacity of non-coal-fired generators reached 27.50%, representing a year-on-year increase of 0.93 percentage point.

Due to strict policies and reduced profit in the coal-fired power generation business and other factors, investment in power generation across the country registered a third consecutive year of year-on-year decrease – only 46.4% of the investment of 2005 in terms of coal-fired power generation and the sixth consecutive year of year-on-year decrease. The proportion of investment in clean energy increased.

In 2011, insufficient hydropower output was recorded due to reduced water flow of the major rivers in China. The proportion of coal-fired power generation registered growth as compared with the previous years. The average utilization hours of coal-fired equipments were 5,294 hours, representing a year-on-year growth of 264 hours.

The supply and demand of power in China was balanced in general in 2011. However, shortage of power was seen in certain areas and time periods.

Prospect for 2012

The growth rate of power consumption in 2012 is expected to be lower than that of 2011. It is likely that power consumption for the year will show an upward trend.

In 2012, the nation's power consumption growth structure will be further altered as the high energy consumption region in the west will make a greater contribution to the growth in power consumption. Power consumption from tertiary industries and residential power consumption in most regions will also contribute more to such growth.

Power supply capacity will be further released as an effect of price adjustment. Due to the long construction cycle of projects and slow-down of investment, it is expected that the new installed capacity of coal-fired generators in 2012 will be less than that in 2011. Hydroelectric power generation nationwide in 2012 is expected to perform better than 2011.

It is expected that the power supply and demand in China will be balanced or slightly tight in general in 2012 and the average utilization hours of coal-fired equipment will remain flat year-on-year. Given the impact of factors such as seasonality, power supply will continue to run tight in some regions and during certain periods.

Major risk exposures and their effects

I. Risk of macroeconomic cyclical fluctuations

The coal and power industries, in which the Company operates, are the fundamental sectors of the national economy and are closely correlated to the prosperity of the national economy. Cyclical fluctuations of the economy may affect the results of the Company and bring certain risks to the business operations of the Company.

II. Risks of competition in the coal and power industries

The Company's coal business faces competition from other coal producers in both domestic and international markets. In the domestic market, the coal businesses of certain competitors are located nearby coastal regions and thus enjoy the competitive advantage of a lower transportation cost for delivering coal to target markets. The Company's power business mainly competes with the top five power generation corporations in China and other independent power plants. The Company faces competition in various areas, such as acquiring more coal resources, securing favourable dispatch of power and higher on-grid power tariffs, etc. Such competition may adversely affect the business operations of the Company.

III. Risk of insufficient transportation capacity

Other than the transportation system of self-owned railways and ports, the Company also transports coal through third party railways and ports. During the peak season for coal demand, the third party railways and ports may still be unable to meet all transport demands for domestic coal. The Company has experienced delay in the process of coal transportation to customers by using third party transportation systems. The Company cannot ensure that similar delay in transportation will not occur in the future.

IV. Risk of increasing cost

As the mining process proceeds further, the Company's unit mining cost may increase gradually. Furthermore, potential inflation risk resulting from rapid domestic economic growth and increase of bulk commodity prices may lead to the increase in the Company's costs of raw materials and fuels. In addition, policy-driven cost, such as the potential resource tax reforms, may affect the Company's cost control. All these factors will affect the Company's results.

V. Risk of foreign exchange rates

The business operations of the Company are subject to the impact of fluctuations in the exchange rate of Renminbi. If the exchange rate of Renminbi appreciates or depreciates, the Company's profit or loss for the period may be affected.

VI. Risk of change in national industrial adjustment and control policies

The operating activities of the Company are affected by national industrial adjustment and control policies. Potential resource tax reform, as well as China's increasingly strict policies on safety and environmental protection, may increase the Company's policy-driven cost. Any such measures may have adverse effects on the Company's operations. The uncertainties arising from the implementation of similar national industrial adjustment and control policies may also generate certain risks to the Company's operations.

VII. Risk of natural factors such as natural disasters and bad weather

The production and operation activities of the Company will be affected by factors including natural disasters and bad weather. Certain particularly major natural disasters which occurred in China in recent years had adversely affected the Company's operations to a certain extent. Factors such as unforeseeable natural disasters and bad weather may bring certain risks to the Company's operations.

VIII. Environmental protection responsibility

The Company has been operating in China for many years. Environmental protection laws and regulations are fully enforced in China, which affected the operations of our coal and power generation businesses. At present, it is impossible to anticipate future legislation on environmental protection, which may have significant impact on the Company in the future. Nevertheless, under the existing legislation, the management of the Company believes that, other than those already accounted for in the financial statements, there are currently no environmental protection obligations that may have material adverse effect on the Company's financial position.

IX. Group insurance

In accordance with the industry practices in the PRC mining industry known to the Company, the Company has purchased fire, liability or other property insurance for certain properties, equipment or inventories of our coal operations. The Company has purchased business interruption and third party liability insurance for personal injury or environmental damages arising from accidents occurred on the Company's premises or in connection with certain power plants and vehicle-related businesses of the Company. As for the transportation business, the Company has purchased property insurance for trucks and car insurance for some ports. In addition, the Company has purchased insurance against occupational accidents, medical, third party liability and unemployment for its employees in compliance with the requirements of the relevant regulations. The Company has purchased insurance for all of its operating power plants against property, loss of profits, plant and equipment, occupational injury and third party liability. The Company will continue to review and assess its own risk portfolio, and make necessary and appropriate adjustments to the Company's insurance coverage in accordance with the needs of the Company and practices of the insurance industry in China.

Conditions of major subsidiaries and associated companies

I. Operating results of major subsidiaries and associated companies

No.	Company	Registered capital	Total assets	Net assets	Net profit
		RMB10,000	RMB10,000	RMB10,000	RMB10,000
1	Shendong Coal Group	454, 770	7,411,566	3,766,897	1,533,219
2	Shenhua Trading Group Ltd.	120,505	2,082,633	233,521	517,513
3	Shuohuang Railway Development Co., Ltd.	588,000	2,447,580	1,595,281	439,657
4	Shaanxi Guohua Jinjie Energy Co., Ltd.	227,800	1,117,590	599,470	297,685
5	Shenhua Zhunge'er Energy Co., Ltd.	710,234	2,085,380	1,482,680	253,870
6	Guangdong Guohua Yudean Taishan Power Co., Ltd.	270,000	1,671,027	476,328	133,433
7	Zhejiang Guohua Zheneng Power Generation Co., Ltd.	325,478	1,517,736	488,908	124,011
8	Yulin Shenhua Energy Co., Ltd.	100,000	379,050	217,373	104,669
9	Shenhua Baorixile Energy Industrial Co., Ltd.	116,891	504,821	286,199	66,378
10	Shenhua Finance Company	70,000	2,253,949	179,468	59,464

Notes: 1. The financial information in the above table was prepared in accordance with the Accounting Standards for Business Enterprises.
2. "Net profit" refers to net profit attributable to the owners of parent.
3. Shendong Coal Group Co., Ltd. recorded operating revenue of RMB55,086.88 million and operating profit of RMB20,399.08 million in 2011.
4 Shenhua Trading Group, Ltd. recorded operating revenue of RMB108,755.60 million and operating profit of RMB6,913.36 million in 2011.
5. Shuohuang Railway Development Co., Ltd. recorded operating revenue of RMB10,378.24 million and operating profit of RMB5,940.27 million in 2011.
6. The financial information of the major subsidiaries and associated companies disclosed above has not been audited or reviewed.

II. Operating conditions of subsidiaries acquired during the reporting period

In 2011, the Company acquired the equity interests or assets of ten companies engaging in coal, power and other related businesses ("Target Companies") which are directly or indirectly owned by Shenhua Group and its subsidiaries. Please refer to the section headed "Significant Events" in this report for details of operations of the Target Companies in 2011.

III. Details of the major subsidiaries of the Company are set out in note 20 to the financial statements of this report.

Major customers and suppliers

Top five customers			
No.	**Name of customer**	**2011**	
		Revenue	**Percentage to operating revenue**
		RMB million	%
1	Zhejiang Electric Power Corporation	12,336	6.0
2	Guangdong Power Grid Corporation	11,665	5.6
3	Hebei Electric Power Corporation	8,575	4.1
4	Guangdong Electric Power Industry Fuel Company Limited	6,467	3.1
5	Liaoning Electric Power Corporation	5,877	2.8
	Total	44,920	21.6

For the year ended 31 December 2011, the total purchases from the top five suppliers of the Company amounted to RMB14.415 billion, accounting for 12.0% of the total purchases for the year. The purchases from the largest supplier were RMB4.803 billion, accounting for 4.0% of the purchases for the year.

Reasons for and impacts of the changes in the Company's accounting policies, accounting estimates or correction of significant accounting errors

During the reporting period, the Company changed its accounting policies in accordance with the requirements of revised IFRS1. Please refer to Note 2(c) of the financial statements set out in this report for details.

Explanation for the selection of major accounting policies and significant accounting estimates

Apart from the above changes in significant accounting policies, there was no material changes in the principal accounting policies and major accounting estimates of the Company as compared with that of 2010.

Other information

Material acquisitions and disposals

Please refer to the section headed "Significant Events" in this report for details.

Charge on Assets by the Group

The Group did not have any material charge on assets for the 12 months ended 31 December 2011.

Retained earnings available for distribution to shareholders of the Company

As at 31 December 2011, the retained earnings which is available for distribution to shareholders of the Company was RMB51.854 billion.

Employee retirement plan and remuneration policies

In accordance with applicable laws and regulations, the Company participated in various retirement plans organized by municipal and provincial governments for its employees. For further details, please refer to note 38 to the financial statements of this report. The Company adopts position based remuneration system for its employees, and their remuneration is determined according to factors such as relative importance, responsibilities of their position and other factors of performances.

Pre-emptive rights

Under the Articles of Association and the laws of the PRC, there is no provision regarding pre-emptive rights so that the Company is required to issue new shares to its existing shareholders in proportion to their existing shareholdings.

Profit distributions

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 focus on reasonable investment returns for the investors and maintain sustainability and stability. Pursuant to the Articles of Association, the profit distribution of the Company shall be made based on the distributable profits in the financial statements prepared under the PRC Accounting Standards for Business Enterprises or the International Financial Reporting Standards, whichever is lower.

Dividend	Distribution date	Dividend per share (inclusive of tax)	Total dividend (inclusive of tax)	Net profit attributable to equity shareholders of the Company for the indicated year (Not restated)	Ratio
		RMB/share	RMB million	RMB million	%
Final dividend for 2008	June 2009	0.46	9,149	26,588	34.4
Final dividend for 2009	July 2010	0.53	10,541	30,276	34.8
Final dividend for 2010	June and August of 2011	0.75	14,917	37,187	40.1

For the details of the distribution of the final dividend of 2010 during the reporting period, please refer to the 2010 annual report of the Company, the "Announcement for the Distribution of Final Dividend of 2010 by China Shenhua Energy Company Limited" (Lin 2011-027) disclosed on the Shanghai Stock Exchange on 3 June 2011, "Further Information in Relation to the Distribution of Final Dividend" and "Further Announcement in Relation to the Distribution of Final Dividend" disclosed on the Hong Kong Stock Exchange on June 24 and July 27 respectively.

Profit distribution plan for the reporting period

1. Net profit attributable to equity shareholders of the Company for 2011 under the Accounting Standards for Business Enterprises amounted to RMB44.822 billion, representing basic earnings per share of RMB2.253. The Board recommends payment of a final dividend for 2011 of RMB0.90 per share (inclusive of tax), totalling approximately RMB17.901 billion (inclusive of tax), which represents 39.9% of net profit attributable to equity shareholders of the Company.

   The Company will hold the 2011 annual general meeting on 25 May 2012 (Friday) to consider and approve the relevant resolutions, including the above final dividend for the year 2011 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, 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 25 April 2012 (Wednesday), the shareholders of A shares of the Company and the proxy of shareholders as registered in the China Securities Depository and Clearing Corporation Limited Shanghai Branch are entitled to attend and vote at the 2011 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 2011 after the annual general meeting of 2011 to determine the record date and ex-rights date for final dividend distribution to holders of A shares for the year 2011.

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 25 April 2012 (Wednesday) to 25 May 2012 (Friday) (both days inclusive) to determine the identity of the shareholders of H shares who are entitled to attend and vote at the 2011 annual general meeting. In order to be eligible for attending and vote at the 2011 annual general meeting, shareholders of H shares shall lodge the share certificates with the instrument of transfer to Computershare Hong Kong Investor Services Limited, the Company's share registrar for H shares no later than 4:30pm on 24 April 2012 (Tuesday) to effect the transfer of shares.

(2) The register of members will be closed from 4 June 2012 (Monday) to 8 June 2012 (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 2011. In order to be eligible for receiving the proposed 2011 final dividend, shareholders of H shares shall lodge the share certificates with the instrument of transfer to Computershare Hong Kong Investor Services Limited, the Company's share registrar for H shares no later than 4:30 pm on 1 June 2012 (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 any changes to their status as shareholders, they should consult their agent or custodian organisation for the relevant procedures. The Company shall withhold and pay enterprise income tax for the non-resident enterprise shareholders whose name appeared in the register of members for H shares of the Company on 8 June 2012.

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

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

The Company shall take the registered address (hereinafter referred to as "registered address") as recorded in the register of members of H shares on 8 June 2012 as the criterion in determining the residence of the individual shareholders of H shares, and withhold and pay individual income tax whereby. Should the residence of the individual shareholders of H shares is inconsistent with the registered address, they should notify the Company's share registrar for H shares on or before 4:30pm on 1 June 2012 with relevant evidence at Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre,183 Queen's Road East, Wan Chai, Hong Kong. For the individual shareholders of H shares who failed to provide relevant evidence to the Company's share registrar for H shares before the above deadline, the Company shall determine their residence according to the registered address as recorded in the register of members on 8 June 2012.

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.

Daily operations of the Board

Please refer to Corporate Governance Structure and Corporate Governance Report of this report.

Major Financial Data
and Indicators

Unless otherwise specified in this section, financial data and indicators are prepared under the Accounting Standards for Business Enterprises.

Major Financial Data for the Reporting Period

Unit: RMB million

Items	Amount
Operating profit	65,775
Profit before income tax	65,093
Net profit attributable to equity shareholders of the Company	44,822
Net profit attributable to equity shareholders of the Company net of extraordinary gain and loss	44,877
Net cash flow from operating activities	72,864

Differences between Domestic and International Accounting Standards

Unit: RMB million

Items	Net profit		Net assets	
	2011	2010 (Restated)	**2011**	2010 (Restated)
Under Accounting Standards for Business Enterprises	**44,822**	37,853	**223,152**	202,202
Adjustments:				
Adjustment to production maintenance, production safety and other related expenditures	**855**	981	**2,670**	2,911
Under International Financial Reporting Standards	**45,677**	38,834	**225,822**	205,113

Explanations for the differences between domestic and international accounting standards:

Pursuant to the relevant regulations of the related government authorities in the PRC, provisions for production maintenance, production safety and other related expenditures are accrued by coal mining companies based on coal production volume, recognised as expenses in profit or loss and separately recorded as a specific reserve in shareholders' equity. On utilisation of the specific reserve as fixed assets within with the stipulated scope, full amount of accumulated depreciation is recognised at the same time when the cost of the relevant assets is recorded. Under International Financial Reporting Standards, these expenses on production maintenance and safety facilities are recognised in profit or loss as and when incurred. Relevant capital expenditure is recognised as property, plant and equipment and depreciated according to the relevant depreciation method. The effect of deferred tax arising from such difference is also reflected.

Items and amounts of extraordinary gain and loss

Unit: RMB million

Items of extraordinary gain and loss	**2011**	2010 (Restated)	2009 (Restated)
Non-operating income			
– Subsidy income	**123**	221	51
– Others	**262**	193	229
Investment income			
– Income from entrusted loans	**101**	51	56
– Net gain from disposal of trading financial assets	**–**	6	–
Profit and loss on fair value change on held-for-trading financial assets	**114**	149	(178)
Non-operating expenses	**(1,074)**	(744)	(584)
Net income on business combination of subsidiaries under common control for the period from the beginning of the year to the date of consolidation	**322**	852	668
Tax effect in respect of the above items	**111**	(12)	80
Total	**(41)**	716	322
Of which: Extraordinary gain and loss that affect net profit attributable to equity shareholders of the Company	**(55)**	509	379
Extraordinary gain and loss that affect net profit attributable to minority shareholders	**14**	207	(57)

Major financial data and indicators of the Company for the last three years as of the end of the reporting period

Major financial data	**2011**	2010		Increase/decrease of this year (restated) (%)	2009	
		Restated	Not restated		Restated	Not restated
Operating revenue (RMB million)	**208,197**	157,662	152,063	32.1	125,645	121,312
Operating profit (RMB million)	**65,775**	54,753	53,634	20.1	45,044	44,189
Profit before income tax (RMB million)	**65,093**	54,436	53,304	19.6	44,795	43,901
Net profit attributable to equity shareholders of the Company (RMB million)	**44,822**	37,853	37,187	18.4	30,802	30,276
Net profit attributable to equity shareholders of the Company net of extraordinary gain and loss (RMB million)	**44,877**	37,344	37,525	20.2	30,423	30,439
Basic earnings per share (RMB)	**2.253**	1.903	1.870	18.4	1.549	1.522
Diluted earnings per share (RMB)	**2.253**	1.903	1.870	18.4	1.549	1.522
Basic earnings per share net of extraordinary gain and loss (RMB)	**2.256**	1.878	1.887	20.2	1.530	1.530
Weighted average return on net assets (%)	**21.08**	20.18	20.31	Increase by 0.90 percentage point	19.10	19.16
Weighted average return on net assets net of extraordinary gain and loss (%)	**21.10**	19.91	20.49	Increase by 1.19 percentage point	18.86	19.27
Net cash flow from operating activities (RMB million)	**72,864**	60,912	59,377	19.6	55,927*	
Net cash flow from operating activities per share (RMB)	**3.66**	3.06	2.99	19.6	2.81*	
	As at 31 December 2011	As at 31 December 2010		Increase/decrease of this year end over last year end (restated) (%)	As at 31 December 2009	
		Restated	Not restated		Restated	Not restated
Total assets (RMB million)	**397,548**	367,689	339,268	8.1	331,609	310,514
Total liabilities (RMB million)	**136,069**	133,387	111,299	2.0	130,192	113,757
Gearing ratio (%)	**34.2**	36.3	32.8	Decrease by 2.1 percentage points	39.3	36.6
Equity attributable to equity shareholders of the Company (RMB million)	**223,152**	202,202	196,917	10.4	173,018	169,326
Net assets per share attributable to equity shareholders of the Company (RMB)	**11.22**	10.17	9.90	10.4	8.70	8.51
Total share capital (number of shares)	**19,889,620,455**	19,889,620,455	19,889,620,455	–	19,889,620,455	19,889,620,455

Note: Net cash flow from operating activities and net cash flow from operating activities per share in 2009 were not restated.

Changes in Equity and Shareholdings of Substantial Shareholders

Changes in equity

Changes in number of shares and shareholding structure during the reporting period

There were no changes in the total number of shares and shareholding structure of the Company during the reporting period.

Unit: Shares

	Number of Shares	Percentage (%)
I. Shares with selling restrictions		
1. State-owned shares	180,000,000	0.90
2. Domestic legal person shares	–	–
Total number of shares with selling restrictions	180,000,000	0.90
II. Shares without selling restrictions		
1. RMB ordinary shares	16,311,037,955	82.01
2. Overseas listed foreign shares	3,398,582,500	17.09
Total number of shares without selling restrictions	19,709,620,455	99.10
III. Total number of shares	19,889,620,455	100.00

Changes in shares with selling restrictions

There were no changes in shares with selling restrictions of the Company during 2011.

Purchase, sale or redemption of shares by the Company and its subsidiaries

For the year ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities as defined under the Hong Kong Listing Rules.

The "Resolution on Granting a General Mandate to the Board of Directors to Repurchase A shares and H shares of the Company" was considered and approved at the annual general meeting for the year 2010, the 2011 first class meeting of the holders of A shares and the 2011 first class meeting of the holders of H shares of the Company held on 27 May 2011, details of which were set out in Announcement on Resolutions Passed at 2010 Annual General Meeting of China Shenhua Energy Company Limited (Lin 2011-024) and Announcement on Resolutions Passed at 2011 First Class Meeting of the Holders of A Shares and 2011 First Class Meeting of the Holders of H Shares of China Shenhua Energy Company Limited (Lin 2011-025) dated 28 May 2011.

Issuance and listing of securities

1. Issuance of securities in the last three years

There were no securities issued by the Company during the last three years.

2. Changes in total number of shares and shareholding structure

There were no changes in the total number of shares, shareholding structure and assets and liabilities structure of the Company due to bonus issue, capital conversion, rights issue, issue of new shares, non-public offering of shares, exercise of warrants, implementation of stock options incentive plan, business combination, conversion of convertible bonds, reduction of share capital, listing of shares held by internal employees, issue of bonds or otherwise during the reporting period.

3. Shares held by internal employees

During the reporting period, the Company did not issue any shares to internal employees nor were there any existing shares held by internal employees.

4. Convertible Bonds

During the reporting period, the Company did not issue any convertible corporate bonds nor were there any existing convertible corporate bonds.

Shareholders

Total number of shareholders and minimum public float requiremet

Unit: accounts

	End of 2011	End of February 2012
Total number of shareholders	322,779	313,354
Of which: Holders of A shares (including Shenhua Group Corporation)	320,165	310,762
Registered holders of H shares	2,614	2,592

The Company has fulfilled the minimum public float requirement of Rule 8.08 of the Hong Kong Listing Rules.

Top ten shareholders, top ten shareholders without selling restrictions and top ten shareholders with selling restrictions

Statement on the connected relationships of shareholders and whether they are parties acting in concert are as follows: the fund trustee for China Construction Bank – Great Wall Brand Merit-choosed Equity Fund, China Construction Bank – Yinhua-Dow Jones China 88 Select Equity Fund and China Construction Bank – Huaan Hongli Equity Fund is China Construction Bank Corporation; other than the above, the Company is not aware of whether any connected relationship exists between the top ten shareholders without selling restrictions and the top ten shareholders, and whether they are parties acting in concert pursuant to the "Measures for the Administration of Acquisition of Listed Companies".

1. Shares held by top ten shareholders

Unit: Shares

No.	Name of shareholder	Increase (+)/ decrease (-) during the reporting period	Total number of shares held at the end of the reporting period	Shareholding percentage (%)	Number of shares with selling restrictions	Number of shares subject to pledge or lock-up	Nature of shareholders
1	Shenhua Group Corporation	–	14,511,037,955	72.96	–	Nil	State-owned
2	HKSCC NOMINEES LIMITED	+396,954	3,390,592,286	17.05	–	Unknown	Overseas corporate
3	Account No. 1 of National Council for Social Security Fund	–	180,000,000	0.90	180,000,000	Nil	State-owned
4	China Life Insurance Company Limited – Bonus – Personal Bonus – 005L – FH002 Shanghai	+25,044,926	49,192,607	0.25	–	Unknown	Others
5	Industrial & Commercial Bank of China – Shanghai Index 50 Trading Open-end Index Securities Investment Fund	+3,047,294	33,691,265	0.17	–	Unknown	Others
6	Bank of Communications – E Fund 50 Index Securities Investment Fund	–9,033,727	25,481,293	0.13	–	Unknown	Others
7	China Construction Bank – Great Wall Brand Merit-choosed Equity Fund	+14,044,178	24,137,656	0.12	–	Unknown	Others
8	China Construction Bank – Yinhua Dow Jones China 88 Select Equity Fund	Unknown	23,661,864	0.12	–	Unknown	Others
9	Bank of China – Jia Shi Hu Shen 300 Index Securities Investment Fund	–859,035	18,047,465	0.09	–	Unknown	Others
10	China Construction Bank – Huaan Hongli Equity Fund	+6,199,900	16,199,900	0.08	–	Unknown	Others

Note: H shares held by HKSCC Nominees Limited are held on behalf of a number of its clients.

Shenhua Group Corporation increased its shareholding in the A shares of the Company by acquiring 10,808,605 A shares of the Company on 9 January 2012 through the trading system of the Shanghai Stock Exchange. Upon the shareholding increment, Shenhua Group Corporation holds 14,521,846,560 A Shares of the Company, representing 73.01% of the Company's total share in issue. Please refer to the "Announcement on Increase of Shareholding in the Company by the Controlling Shareholder of China Shenhua Energy Company Limited" (Lin 2012-001) on 10 January 2012 for details.

2. Shares held by top ten shareholders without selling restrictions

Unit: Shares

No.	Name of shareholder	Number of shares without selling restrictions at the end of the reporting period	Type of shares
1	Shenhua Group Corporation	14,511,037,955	RMB ordinary shares
2	HKSCC NOMINEES LIMITED	3,390,592,286	Overseas listed foreign shares
3	China Life Insurance Company Limited – Bonus – Personal Bonus – 005L – FH002 Shanghai	49,192,607	RMB ordinary shares
4	Industrial & Commercial Bank of China – Shanghai Index 50 Trading Open-end Index Securities Investment Fund	33,691,265	RMB ordinary shares
5	Bank of Communications – E Fund 50 Index Securities Investment Fund	25,481,293	RMB ordinary shares
6	China Construction Bank – Great Wall Brand Merit-choosed Equity Fund	24,137,656	RMB ordinary shares
7	China Construction Bank – Yinhua-Dow Jones China 88 Select Equity Fund	23,661,864	RMB ordinary shares
8	Bank of China – Jia Shi Hu Shen 300 Index Securities Investment Fund	18,047,465	RMB ordinary shares
9	China Construction Bank – Huaan Hongli Equity Fund	16,199,900	RMB ordinary shares
10	Baosteel Group Corporation Limited	14,342,665	RMB ordinary shares

3. Number of shares held by top ten shareholders with selling restrictions and their selling restrictions

Unit: Shares

			Listing and trading of shares with selling restrictions		
No.	Name of shareholder with selling restrictions	Number of shares with selling restrictions at the end of the reporting period	Date on which trading is permitted	Increase in the number of tradable shares	Selling restrictions
1	Account No. 1 of National Council for Social Security Fund	180,000,000	9 October 2013	180,000,000	Article 13 of the "Implementation Measure for the Transfer of Part of the state-owned Shares to the National Social Security Fund in Domestic Securities Market"

Substantial shareholders' interests and short positions in the shares of the Company

As at 31 December 2011, persons as shown in the table below had an interest and/or short position in the shares or underlying shares of the Company which is required to be recorded in the register of equity interests and/or short positions to be kept pursuant to section 336 of Part XV of the Securities and Futures Ordinance (the "SFO", Chapter 571 of the Laws of Hong Kong):

No.	Name of shareholders	Capacity	H Shares/ Domestic shares	Nature of interest	Number of H shares/domestic shares	Percentage of H shares/domestic shares over total issued H shares/ domestic shares respectively	Percentage of total issued share capital of the Company
						%	%
1	Shenhua Group Corporation	Beneficial owner	Domestic shares	N/A	14,511,037,955	87.99	72.96
2	JPMorgan Chase & Co.	Beneficial owner Investment manager Custodian-corporation Approved lending agent	H Shares	Long position	272,016,329	8.00	1.37
				Short position	6,154,631	0.18	0.03
				Lending pool	218,671,938	6.43	1.10
3	Blackrock, Inc.	Investment manager	H Shares	Long position	212,343,747	6.24	1.07
				Short position	16,761,284	0.49	0.08

Note: Information disclosed above is based on information available on the website of the Hong Kong Stock Exchange (www.hkex.com.hk).

Save as disclosed above, as at 31 December 2011, in so far as the directors, president and supervisors of the Company are aware, there was no other interest and/or short position held by any person in the shares or underlying shares of the Company (as the case may be) which is required to be recorded in the register to be kept under section 336 of Part XV of the SFO, or was otherwise a substantial shareholder of the Company.

Controlling Shareholder and De Facto Controller

Particulars of Controlling Shareholder and De Facto Controller

1. Corporate controlling shareholder

Name of the controlling shareholder	:	Shenhua Group Corporation Limited
Legal representative	:	Zhang Xiwu
Registered capital	:	RMB38,996,841,000
Date of incorporation	:	23 October 1995
Organization Code	:	10001826-7
Principal operating activities	:	State-owned assets operating activities within the scope authorized by the State Council; investment and management activities in various sectors, including resource products (such as coal), coal liquefaction, coal chemical, power, thermal, port, various transportation, finance, domestic and international trade and logistics, real estate, advanced technology and information consultation and etc; planning, organizing, coordinating and managing the production and operating activities of the companies in the Shenhua Group in such sectors; and sales of chemical materials and chemical products (excluding hazardous chemicals), textiles, construction materials, machinery, electronic equipment and office equipment.

2. De facto controller

Name of the de facto controller:	State-owned Assets Supervision and Administration Commission of the State Council ("SASAC")

3. Changes in controlling shareholder and de facto controller

There was no change in the controlling shareholder and the de facto controller of the Company during the reporting period.

4. Diagram of the equity and controlling relationship between the Company and the de facto controller as at the end of the reporting period

Upon the shareholding increment in the A shares of the Company by Shenhua Group Corporation Limited on 9 January 2012, its percentage of shareholding to the total issued share capital of the Company increased to 73.01%. Please refer to the "Announcement on Increase of Shareholding in the Company by the Controlling Shareholder of China Shenhua Energy Company Limited" (Lin 2012-001) on 10 January 2012 for details. There was no change in the de facto controller of the Company during the period from the end of the reporting period to the date of this report.

Material contracts entered into between the Company and the controlling shareholder or de facto controller

Please refer to the Prospectus and the details disclosed in the section of "Significant Events" in this report.

Other corporate shareholders with more than 10% shareholdings of the Company

As at the end of the reporting period, there was no other corporate shareholder holding more than 10% shareholdings of the Company.

Corporate Governance Structure and Corporate Governance Report

Brief Information on Corporate Governance

During the reporting period, the Company further improved its level of corporate governance by establishing a standardized and sound corporate governance structure in strict compliance with the PRC Company Law, Securities Law and other laws and regulations as well as the domestic and foreign regulatory requirements.

The Company's compliance with domestic regulatory requirements

There is no material difference between the corporate governance of the Company and the corporate governance requirements under the relevant rules of the China Securities Regulatory Commission ("CSRC"). The Company, the Board and the directors of the Company have not been subject to any inspection, administrative punishment and notice of criticism by the CSRC and have not been penalized by any other regulatory authorities or publicly censured by any stock exchanges.

Pursuant to the regulatory requirements as updated from time to time, the Company established "The Accountability System for Material Errors of Information Disclosure in Annual Report", "Rules on Work of the Secretary to the Board" and "Management System for Regulating Fund Transfers with Connected Parties" on the 12th meeting of the second session of the Board held on 25 March 2011; and the Company amended "Articles of Association", "Rules of Procedure of Meetings of the Board of Directors", "Related Party Transactions Decision Making Systems" and "Rules of Work for the Secretary to the Board" on the 17th meeting of the second session of the Board held on 26 August 2011. Particulars of the above are set out in the table below:

No.	Name of the Policy	Main content amended or formulated
1	"The Accountability System for Material Errors of Information Disclosure in Annual Report"	Specifies on the principles for preparing annual report and the term of reference as well as states the liability and penalty for material errors in annual report information dislosure.
2	"Rules on Work of the Secretary to the Board"	Specifies on the eligibility, the procedures for the appointment and removal, the term of reference and qualification of the Secretary to the Board of the Company, etc.
3	"Management System for Regulating Fund Transfers with Connected Parties"	Specifies on the method, scope, management and responsibility for fund transfer between the Company with its controlling shareholder and other connected parties.
4	"Articles of Association"	Adds particulars on the procedures for the appointment and selection of vice chairman and senior vice president, etc.
5	"Rules of Procedure of Meetings of the Board of Directors"	The Rules of Procedure of Meetings of the Board of Directors was amended to keep in line with the amended Articles of Association.
6	"Related Party Transactions Decision Making Systems"	Specifies on the duty of Audit Committee on the ordinary related party transaction, extends the authority of Audit Committee on the related party transaction, states the approval procedure of the related party transaction; further improves the particular scope of decision-making authority and the decision-making procedures of the board of directors and the general meetings of the shareholders with regard to related party transaction; standardizes the policies and procedures for the reporting, management, approval and filing of the related party transaction of the Company.

Note: Items 4, 5 and 6 above are subject to the renewal and the approval by the Company at the general meeting.

The general meetings of the shareholders of the Company, meetings of the Board and the Supervisory Committee are held independently and effectively in accordance with the "Articles of Association" and the respective rules of procedure of meetings. The Company's current regulatory documents in respect of corporate governance primarily include:

1. "Articles of Association of China Shenhua Energy Company Limited"*

2. "Rules of Procedure of General Meeting of China Shenhua Energy Company Limited"

3. "Rules of Procedure of Meetings of the Board of Directors of China Shenhua Energy Company Limited"

4. "Rules of Procedure of Meetings of the Strategy Committee of the Board of Directors of China Shenhua Energy Company Limited"

5. "Rules of Procedure of Meetings of the Remuneration Committee of the Board of Directors of China Shenhua Energy Company Limited"

6. "Rules of Procedure of Meetings of the Nomination Committee of the Board of Directors of China Shenhua Energy Company Limited"

7. "Rules of Procedure of Meetings of the Safety, Health and Environment Committee of China Shenhua Energy Company Limited"

8. “Rules of Procedure of Meetings of the Audit Committee of the Board of Directors of China Shenhua Energy Company Limited”

9. “Rules on Work of the Audit Committee of the Board of Directors of China Shenhua Energy Company Limited”*

10. “Rules on Work of Annual Report of the Audit Committee of the Board of Directors of China Shenhua Energy Company Limited”*

11. “Rules on Independent Directors of China Shenhua Energy Company Limited” *

12. “Rules of Procedure of Meetings of the Supervisory Committee of China Shenhua Energy Company Limited”

13. “Rules on Work of the President of China Shenhua Energy Company Limited”

14. “Rules on Work of the Secretary to the Board of Directors of China Shenhua Energy Company Limited”*

15. “Related Party Transactions Decision Making Systems of China Shenhua Energy Company Limited”*

16. “Provisional Measures for the Management of Provision of Guarantees of China Shenhua Energy Company Limited”*

17. “Provisional Measures of Investment Management of China Shenhua Energy Company Limited”

18. “Management System for Regulating Fund Transfers with Connected Parties of China Shenhua Energy Company Limited”*

19. “Rules on the Management of the Use of Proceeds of China Shenhua Energy Company Limited”*

20. “Information Disclosure System of China Shenhua Energy Company Limited” *

21. “Internal Reporting System of Significant Events of China Shenhua Energy Company Limited”

22. “Investor Relations Policy of China Shenhua Energy Company Limited”

23. “Model Code on Securities Trading by Directors of China Shenhua Energy Company Limited”

24. “The Accountability System for Material Errors of Information Disclosure in Annual Report of China Shenhua Energy Company Limited”*

25. “Management System on Preventing Inside Dealing of China Shenhua Energy Company Limited”*

26. “Measures on Dealings in the Shares of the Company by Employees of China Shenhua Energy Company Limited”

Note: The policies marked * are disclosed on the website of Shanghai Stock Exchange.

The establishment and improvement of management system of external information users: the Company formulated the "Management System on Preventing Inside Dealing" of China Shenhua in December 2010, which included the matters such as the information disclosure and the registration and management for external information users under the management of the system.

During the reporting period, the Company actively took the following measures to regulate the relevant securities transactions, maintain the confidentiality of relevant insider information and strengthen the management of insiders and external information users, so as to prevent insider dealings.

(1) Reminder. An individual reminder is made to particular insiders by means such as e-mails and messages and a public reminder is made to potential insiders via the Company's internal website before price sensitive period, such as 60 days and 30 days before announcement of annual results, to ensure prevention and control of insider dealings and build up awareness of regulated securities transactions.

(2) Voluntary disclosure. The Company published the "Announcement on Proposed Acquisition of Certain Assets of Controlling Shareholders of China Shenhua Energy Company Limited" on 27 August 2011 to disclose the general information of the assets to be acquired (including the major type of business and size of acquisition) on a voluntary basis; published the "Announcement on the Major Operational Data of December and the Year 2011 of China Shenhua Energy Company Limited" on 31 January 2012 to disclose the major business results of 2011 on a voluntary basis. As part of the regular information disclosure, the Company voluntarily discloses the monthly major operational data and business progress. The above disclosure initiatives help reduce unequal distribution of information, eliminate insider dealings and prevent unusual fluctuations of share price.

(3) Self-examination. Having conducted relevant self-examination of relevant insiders of the Company, no trading of the Company's shares by using insider information prior to the disclosure of significant price sensitive information which could affect the share price was found, and there was no investigation and rectification by the regulatory authorities.

The Company's compliance with the Code on Corporate Governance Practices

The Company has established a system of corporate governance practices in accordance with the "Code on Corporate Governance Practices" as set out in Appendix 14 of the Hong Kong Listing Rules. The Company has been in full compliance with the provisions of the "Code on Corporate Governance Practices" and most of the recommended best practices as specified therein for the year ended 31 December 2011.

According to the Articles of Association of China Shenhua, the Company improved the convening, voting and disclosure procedures of Board meetings and rules and procedures of the Board. Procedures for nomination and appointment of directors are in compliance with the relevant requirements. The Company has established a Board whose members are from a variety of backgrounds. Members of the Board include domestic and overseas individuals with professional skills. Each director's knowledge base and area of expertise are professional and complementary in the overall Board structure, which ensure the scientific decision making of the Board. Currently, the Board comprises 9 members, 3 of which are independent directors. The directors' extensive experience in macroeconomics management, management of the coal industry, financial and accounting management or legal affairs ensure the effectiveness and scientificalness of the Company's significant decisions.

The Board is a decision-making body of the Company. According to the authority stipulated by the "Articles of Association" and Listing Rules, the Board leads and supervises the Company in a responsible and effective manner. All directors shall act in the best interest of the Company. The Board holds at least one regular meeting on a quarterly basis, and holds an extraordinary meeting when the Company needs to make a significant decision.

The roles of the chairman and the president of the Company are two distinctively separate positions. The chairman cannot be the president of the Company concurrently. The chairman is principally responsible for managing the operation of the Board whereas the president is principally responsible for the business operations of the Company. The "Articles of Association" of China Shenhua sets out in details the respective duties of the chairman and the president.

For details of the information required to be disclosed in accordance with the "Corporate Governance Report" of Appendix 23 of the Hong Kong Listing Rules such as remuneration of the directors, supervisors and senior management of the Company, security transactions by directors and shareholding interests of directors, supervisors and senior management, attendance of directors at Board meetings, performance of the duties of independent directors and performance of the duties of Board Committees, please refer to the relevant sections of this chapter.

Directors, Supervisors, Senior Management and Employees

Basic information

(I) Incumbent at the end of the reporting period

Name	Position	Gender	Age	Total remuneration received from the Company during the reporting period (before tax)	Whether remuneration or allowance was paid by a shareholder of the Company or other associated companies during term of office in the year
				RMB'10,000	
Zhang Xiwu	Chairman, Executive director	Male	53	–	Yes
Zhang Yuzhuo	Vice chairman, Executive director	Male	49	–	Yes
Ling Wen	Executive director, President	Male	48	106.69	No
Han Jianguo	Executive director, Senior vice president	Male	53	64.35	No
Fan Hsu Lai Tai	Independent non-executive director	Female	66	45.00	No
Gong Huazhang	Independent non-executive director	Male	66	45.00	No
Liu Benren	Non-executive director	Male	69	–	Yes
Xie Songlin	Non-executive director	Male	69	–	Yes
Guo Peizhang	Independent non-executive director	Male	62	45.00	No
Sun Wenjian	Chairman of Supervisory Committee	Male	56	–	Yes
Tang Ning	Supervisor	Male	56	66.56	No
Zhao Shibin	Supervisor	Male	42	69.58	No
Wang Xiaolin	Senior vice president	Male	48	81.58	No
Li Dong	Senior vice president	Male	51	81.65	No
Hao Gui	Senior vice president	Male	49	58.14	No
Xue Jilian	Senior vice president	Male	57	58.42	No
Wang Pingang	Senior vice president	Male	50	58.20	No
Wang Jinli	Vice president	Male	52	113.03	No
Zhai Guiwu	Vice president	Male	48	84.27	No
Huang Qing	Secretary to the Board	Male	46	107.81	No
Zhang Kehui	Chief financial officer	Female	48	104.87	No
Total	/	/	/	1,190.15	/

Note: 1. The remuneration package of the above Directors and Supervisors for the year 2011 is subject to the approval by the Company at the 2011 annual general meeting;

2. The remunerations of Han Jianguo, Wang Xiaolin, Li Dong, Hao Gui, Xue Jilian, Wang Pingang and Zhai Guiwu were calculated for the following periods: June to December 2011;

3. The persons mentioned above did not hold any shares of the Company as at the end of the reporting period.

4. Directors of the second session of the board of directors of the Company and supervisors of the second session of the Supervisors Committee carry a term of office of three years (from 18 June 2010 to 17 June 2013).

(II) Resignation during the reporting period

Name	Position	Gender	Age	Total remuneration received from the Company during the reporting period (before tax)	Whether remuneration or allowance was paid by a shareholder of the Company or other associated companies during term of office in the year
				RMB'10,000	
Hua Zeqiao	Vice president	Male	60	56.24	No
Total	/	/	/	56.24	/

Note: 1. The remunerations of Mr. Hua Zeqiao was calculated for the following periods: January to April 2011;
2. Mr. Hua Zeqiao did not hold any shares of the Company prior to his resignation.

As at 31 December 2011, none of the directors, supervisors or senior management had any interest or short position in the shares or underlying shares of the Company or any of its associated corporations within the meaning of Part XV of the SFO (Chapter 571 of the Laws of Hong Kong).

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in Appendix 10 of the Hong Kong Listing Rules, which requires the securities transactions of the directors of the Company to be carried out in accordance with the Model Code. The Model Code is also applicable to the senior management of the Company. After specific inquiries conducted by the Company, all the directors have confirmed that they have fully complied with the Model Code throughout 2011 or during their tenures of office.

Changes in directors, supervisors and senior management

On 16 March 2011, Mr. Hua Zeqiao resigned as the vice president of the Company on account of his statutory retirement age of the PRC.

During the fifteenth meeting of the second session of the Board of the Company held on 24 May 2011: (1) director Zhang Yuzhuo was elected as vice chairman of the second session of the Board of the Company, with a term starting from 24 May 2011 until the end of the Board session on 17 June 2013; (2)Mr. Han Jianguo, Mr. Wang Xiaolin, Dr. Li Dong, Dr. Hao Gui, Mr. Xue Jilian and Mr. Wang Pingang were appointed as senior vice presidents of the Company, and Mr. Zhai Guiwu was appointed as vice president of the Company. The above mentioned senior management are appointed for a term of three years commencing from 24 May 2011, and may be re-appointed at the end of the term.

Due to his management duties in the Company, non-executive director Mr. Han Jianguo became an executive director of the Company on the day he was appointed as senior vice president of the Company.

Major working experiences of the directors, supervisors and senior management in the last five years

Biographies of the directors, supervisors and senior management

Directors

Dr. Zhang Xiwu,

aged 53, Chinese

Chairman and executive director

Dr. Zhang Xiwu has served as the chairman and an executive director of the second session of the board of directors of the Company since June 2010. Dr. Zhang is also the chairman of the board of directors of Shenhua Group Corporation. Dr. Zhang previously served as a non-executive director, an executive director and the chairman of the first session of the board of directors of the Company, general manager and vice general manager of Shenhua Group Corporation, chairman of the board of directors of Beijing Guohua Power Company Limited, chairman and general manager of Shenhua Shenfu Dongsheng Coal Company, chairman of Shenhua Dongsheng Coal Company, and manager of the Fine Coal Business Department of Shenhua Group Corporation. Prior to joining Shenhua Group Corporation in August 1995, Dr. Zhang was the deputy chief of the Bureau of Coal Industry of Jilin Province, deputy general manager of the Northeast Inner Mongolia Coal Industry United Company, and department head and assistant to chief of Inner Mongolia Dayan Mining Bureau, etc. Dr. Zhang is a researcher, and has in-depth industry knowledge of, and over 20 years of operational and management experience in the coal industry in China. He obtained a master's degree and a Ph.D. degree from Liaoning University of Engineering and Technology in 1997 and 2003 respectively.

Dr. Zhang Yuzhuo,

aged 49, Chinese

Vice chairman and executive director

Dr. Zhang has served as the vice chairman of the Company since May 2011 and an executive director of the second session of the board of directors of the Company since June 2010. Dr. Zhang is also a director and general manager of Shenhua Group Corporation. Dr. Zhang previously served as a non-executive director of the first session of the board of directors of the Company, deputy general manager of Shenhua Group Corporation, chairman of China Shenhua Coal Liquefaction Company Limited, chairman of Shenhua International (Hong Kong) Company Limited and executive director of Shenhua Hulunbeier Coal Processing Company Limited. Prior to joining Shenhua Group Corporation in December 2001, Dr. Zhang served as the president of the China Coal Research Institute, chairman of China Coal Technology Corporation, chairman of Tiandi Science & Technology Co. Ltd. and deputy general manager of Shandong Yankuang Group Co. Ltd. Dr. Zhang is a researcher, and is experienced in management of research and development and has approximately 20 years of enterprise management experience in the coal industry in China. He graduated in 1982 from Shandong University of Science and Technology with a bachelor's degree, received a master's degree from China Coal Research Institute in 1985 and a Ph.D. degree from the University of Science and Technology of Beijing in 1989. From 1992 to 1996, Dr. Zhang conducted postdoctoral research and study of clean coal technology at the University of Southampton and Southern Illinois University in the USA.

Dr. Ling Wen,
aged 48, Chinese

Executive director and president

Dr. Ling has served as an executive director of the second session of the board of directors of the Company since June 2010 and the president of the Company since August 2006. Dr. Ling is also a director and vice general manager of Shenhua Group Corporation. Dr. Ling had previously served as an executive director of the first session of the board of directors of the Company, the executive vice president and chief financial officer of the Company. Prior to joining Shenhua Group in December 2001, Dr. Ling served as the deputy general manager of the International Business Department of the Industrial and Commercial Bank of China, deputy general manager of Industrial and Commercial Bank of China (Asia) Limited and chairman of UB China Business Management Company Limited. Dr. Ling has in-depth and extensive experience in financial institution and enterprise management. He is a professor and mentor for doctoral students at Renmin University of China and China University of Mining and Technology. Dr. Ling graduated from Shanghai Jiao Tong University with a bachelor's degree in science in 1984, received a master's degree in system engineering from Harbin Institute of Technology in 1987 and received a Ph.D. degree in management engineering in 1991. From 1992 to 1994, Dr. Ling conducted postdoctoral research in macroeconomics in the Department of Automation of Shanghai Jiao Tong University.

Mr. Han Jianguo,
aged 53, Chinese

Executive director and senior vice president

Mr. Han has served as an executive director and senior vice president of the Company since May 2011. Mr. Han is also the vice general manager and chief information officer of Shenhua Group Corporation. Previously, he served as a non-executive director of the first session and second session of the board of directors of the Company, chairman and general manager of Shenhua Coal Trading Company Limited. Prior to joining Shenhua Group in April 1998, Mr. Han served as the secretary to the vice minister of the former State Development and Planning Commission. Mr. Han is a senior engineer and is experienced in the PRC coal industry, macro-economy and enterprise management. He graduated from Fuxin College of Mining and Technology in Liaoning Province with a bachelor's degree in 1983 and received a master's degree from Tongji University in 1999. In 2006, he obtained an MBA degree at the China Europe International Business School.

Ms. Fan Hsu Lai Tai,
aged 66, Hong Kong

Independent non-executive director

Ms. Fan has served as an independent non-executive director of the second session of the board of directors of the Company since June 2010. Ms. Fan is also a member of the Standing Committee of the 11th National People's Congress of China, an independent non-executive director of China COSCO Holdings Company Limited, Cosco Pacific Limited and China Overseas Land & Investment Ltd. Ms. Fan previously served as director of Career Centre of the University of Hong Kong, assistant dean of Hong Kong Polytechnic Institute, member of Preliminary Working Committee for Preparatory Committee for Hong Kong Special Administrative Region, committee member of Preparatory Committee for Hong Kong Special Administrative Region, president of the Legislative Council for Hong Kong Special Administrative Region and deputy to the 9th and 10th National People's Congress of China. Ms. Fan has extensive experience in legislative and supervision affairs. She received a bachelor's degree in 1967 and a master's degree in 1973 from the University of Hong Kong respectively.

Mr. Gong Huazhang,
aged 66, Chinese

Independent non-executive director

Mr. Gong has served as an independent non-executive director of the Company since June 2009. Mr. Gong is also an external director of COFCO Corporation, an independent non-executive director of Nanyang Commercial Bank (China) Limited, China Railway Group Limited and China Southern Airlines Company Limited, an external director of Dongfang Electric Corporation Limited, a member of the Accounting Standards Committee of the Ministry of Finance of the PRC, a member of China Valuation Standards Committee, the special councilor of China Valuation Society, vice chairman of the Accounting Society of China, the consultant of the Pricing Association of China, a part-time professor at Tsinghua University, Nankai University, Xiamen University, Shanghai National Accounting Institute, Xiamen National Accounting Institute, China University of Petroleum (Beijing) and a professor of Beijing National Accounting Institute. Mr. Gong previously served as a director of China Yangtzi Power Co., Ltd, the chief accountant of China National Petroleum Corporation, a director of PetroChina Company Limited and the chairman of China Petroleum Finance Co., Ltd. Mr. Gong graduated from Jiangsu Yangzhou Business School in 1965. He is a professor-level senior accountant and has over 40 years' experience in accounting.

Mr. Liu Benren,
aged 69, Chinese

Non-executive director

Mr. Liu has served as a non-executive director of the second session of the board of directors of the Company since June 2010. Mr. Liu is also an external director of Shenhua Group Corporation, a non-executive director of Fosun International Limited and non-executive director and deputy chairman of Prosperity International Holdings (H.K.) Limited. Mr. Liu had served as manager of Wuhan Hot Rolling Plant, vice chief engineer, director of production department and deputy general manager of Wuhan Iron and Steel, general manager of Wuhan Iron and Steel (Group) Corporation, and the chairman of Wuhan Iron and Steel Co., Ltd., an external director of Prosperity Mineral Holdings Ltd., a non-executive director and chairman of China Metallurgical Group Corporation and a non-executive director and chairman of Metallurgical Corporation of China Ltd., Mr. Liu is a professor-level senior engineer. He graduated from Wuhan Institute of Metallurgy in 1965 with a bachelor's degree, and graduated from the Central Communist Party School in 1986.

Mr. Xie Songlin,
aged 69, Chinese

Non-executive director

Mr. Xie has served as a non-executive director of the second session of the board of directors of the Company since June 2010. Mr. Xie is also an external director of Shenhua Group Corporation, State Development & Investment Corporation and an external director of China Electronics Corporation. Mr. Xie had been deputy head of Electricity Department of Hunan Province, deputy head of Power Administration Bureau of Central China, deputy head of Auditing Bureau of Energy Ministry, director of Economic Moderation and State Asset Supervision Office of Ministry of Power, chief officer of Department of General Affairs of Ministry of Power, head of office of Ministry of Power, a member of the 10th National Committee of Chinese People's Political Consultative Conference, chief economist and supervisor of financial and asset management department, chief accountant of State Power Corporation, deputy general manager of State Grid Corporation of China, a director of China Merchants Fund Management Co., Ltd., a senior consultant of State Power Grid Corporation, an independent non-executive director of Dongfang Electric Corporation Limited and an independent non-executive director of Datang International Power Generation Co., Ltd. Mr. Xie is a senior economist, senior accountant and engineer, and has extensive experience in power generation and management. He graduated from Shaanxi Industry University (now known as Xi'an Jiaotong University) in 1965 with a bachelor's degree.

Supervisors

Mr. Guo Peizhang,
aged 62, Chinese

Independent non-executive director

Mr. Guo has served as an independent non-executive director of the second session of the board of directors of the Company since June 2010. Mr. Guo is also an external director of Dongfang Electric Corporation. Mr. Guo had served as deputy director of Department of Planning and Policies of State Economy Commission and Bureau of Economy, director of Division of Integrated Utilization under Department of Resource Conservation and Integrated Utilization of State Planning Commission, director of Division of Integrated Resource Utilization under the Department of Raw Materials and Integrated Resource Utilization of State Planning Commission, deputy supervisor of Planning Committee of Xinjiang Uygur Autonomous Region, assistant counsel of Department of Raw Materials and Integrated Resource Utilization of State Planning Commission, deputy director and director of Department of Regional Economic Development of State Planning Commission, director of Department of Regional Economy of National Development and Reform Commission, the chairman of China Guodian Material Corporation, the head of disciplinary inspection panel of China Guodian Corporation and the chairman of the supervisory committee of GD Power Development Co., Ltd. Mr. Guo is a senior economist and has extensive experience in macroeconomics and enterprise management. He graduated from Renmin University of China in 1982 with a bachelor's degree.

Mr. Sun Wenjian,
aged 56, Chinese

Chairman of the Supervisory Committee

Mr. Sun has served as the chairman of the second session of the Supervisory Committee of the Company since June 2010. Mr. Sun is also the head of disciplinary team, union chairman of Shenhua Group Corporation and employee director. Mr. Sun had served as committee member of education division of Ministry of Supervision, deputy director and director of training branch under education division of Ministry of Supervision, deputy supervisor of education division of Ministry of Supervision, deputy supervisor of the 2nd disciplinary and supervisory division of Ministry of Supervision, director-general level disciplinary and supervisory officer, deputy supervisor, head of foreign affairs of Ministry of Supervision and supervisor of the 8th disciplinary and supervisory division of Ministry of Supervision. Mr. Sun graduated from Beijing Normal University with a master's degree in law in January 1985.

Mr. Tang Ning,
aged 56, Chinese

Supervisor

Mr. Tang has served as a supervisor of the second session of the Supervisory Committee of the Company since June 2010. He is the managing director of the first division of the delegated Supervisory Committee of Shenhua Group Corporation. Mr. Tang has been the deputy director of Property Ownership Administration of Shenhua Group Corporation, a director and general manager of Shenhua International (Hong Kong) Co., Ltd., head of board office, deputy supervisor and office supervisor of Shenhua Group Corporation. Prior to joining Shenhua Group Corporation, Mr. Tang served as director of the office to control the purchasing power of social entities under the Ministry of Finance. Mr. Tang graduated from the Party School of the Central Committee of CPC in 1998.

Mr. Zhao Shibin,
aged 42, Chinese

Employees' representative

Mr. Zhao has served as an employees' representative supervisor of the second session of the Supervisory Committee of the Company since June 2010. Mr. Zhao is also the deputy general manager, secretary of disciplinary inspection committee and the chairman of the union of Guohua Power Branch of the Company. Previously, Mr. Zhao had worked in the teaching cadre section of the education division of Beijing Power Engineering and Economics Institute and served as senior staff member of the statistics division of planning department of Ministry of Power (State Power Corporation), second rank officer of the secretary division of general manager department of State Power Corporation, first rank officer of the secretary division of general manager department of State Power Corporation, vice departmental level staff of the secretary division of general manager department of State Power Corporation, deputy director of the secretary division of the general manager department of State Grid Corporation of China, deputy director of second secretary division of the general office of State Grid Corporation of China and deputy director (departmental level) of the secretary division of the general office of State Grid Corporation of China. Mr. Zhao is a senior engineer. He graduated from Beijing Water and Electricity Economics Management Institute with a bachelor's degree in economics in 1992 and graduated from School of Economics and Management of Tsinghua University in 2002.

Senior Management

Dr. Ling Wen,

aged 48, Chinese

Executive director and president

Dr. Ling has served as an executive director of the second session of the board of directors of the Company since June 2010 and the president of the Company since August 2006. Dr. Ling is also a director and vice general manager of Shenhua Group Corporation. Dr. Ling had previously served as an executive director of the first session of the board of directors of the Company, the executive vice president and chief financial officer. Prior to joining Shenhua Group in December 2001, Dr. Ling served as the deputy general manager of the International Business Department of the Industrial and Commercial Bank of China, deputy general manager of Industrial and Commercial Bank of China (Asia) Limited and chairman of UB China Business Management Company Limited. Dr. Ling has in-depth and extensive experience in financial institution and enterprise management. He is a professor and mentor for doctoral students at Renmin University of China and China University of Mining and Technology. Dr. Ling graduated from Shanghai Jiao Tong University with a bachelor's degree in science in 1984, received a master's degree in system engineering from Harbin Institute of Technology in 1987 and received a Ph.D. degree in management engineering in 1991. From 1992 to 1994, Dr. Ling conducted postdoctoral research in macroeconomics in the Department of Automation of Shanghai Jiao Tong University.

Mr. Han Jianguo,

aged 53, Chinese

Executive director and senior vice president

Mr. Han has served as an executive director and senior vice president of the Company since May 2011. Mr. Han is also the vice general manager and chief information officer of Shenhua Group Corporation. Previously, he served as a non-executive director of the first session and second session of the board of directors of the Company, chairman and general manager of Shenhua Coal Trading Company Limited. Prior to joining Shenhua Group in April 1998, Mr. Han served as the secretary to the former vice minister of the State Development and Planning Commission. Mr. Han is a senior engineer and is experienced in the PRC coal industry, macro-economy and enterprise management. He graduated from Fuxin College of Mining and Technology in Liaoning Province with a bachelor's degree in 1983 and received a master's degree from Tongji University in 1999. In 2006, he obtained an MBA degree at the China Europe International Business School.

Mr. Wang has served as a senior vice president of the Company since May 2011. Mr. Wang is also a deputy general manager and secretary to the board of directors of Shenhua Group Corporation Limited. Mr. Wang previously served as an assistant to the general manager and director of the General Dispatching Office of Shenhua Group Corporation Limited, vice chairman and general manager of Shenhua Huanghua Harbour Administration Company Limited, manager and deputy manager of the Planning Department of Shenhua Group Corporation Limited. Prior to joining Shenhua Group in 1995, Mr. Wang held several positions in Huaneng Refined Coal Company, including deputy manager of the Production Department and deputy manager of the Planning Department. Mr. Wang is a senior engineer. He has extensive knowledge about China's coal industry. Mr. Wang graduated from China University of Mining and Technology in 1983 with a bachelor's degree.

Mr. Wang Xiaolin,
aged 48, Chinese

Senior vice president

Dr. Li has served as a senior vice president of the Company since May 2011. Dr. Li is also a vice general manager of Shenhua Group Corporation Limited. Dr. Li previously served as deputy engineer in chief of Shenhua Group Corporation Limited, chairman of Shenhua Zhunge'er Energy Co., Ltd. and head of General Manger's Office of Shenhua Group Corporation Limited. Prior to joining Shenhua Group in 1995, he held the posts in the General Office of Ministry of Coal Industry, the General Office of China National Coal Corporation, the Division of Production Technology under the Department of Production of Northeast Inner Mongolia Coal United Industry Company, etc. Dr. Li is a professor-level senior engineer with rich experience in the management of coal enterprises in China. He obtained a bachelor's degree from Fuxin Mining Institute in 1982, a master's degree from Liaoning Technical University in 1997, an MBA degree from China Europe International Business School in 2005 and a Ph.D. degree from Liaoning Technical University in 2005.

Dr. Li Dong,
aged 51, Chinese

Senior vice president

Dr. Hao Gui,
aged 49, Chinese

Senior vice president

Dr. Hao has served as a senior vice president of the Company since May 2011. Dr. Hao is also a vice general manager of Shenhua Group Corporation Limited. Dr. Hao served as vice president of China Shenhua Energy Company Limited, deputy economist in chief of Shenhua Group, chairman of Shenhua Mengxi Coal Chemical Company Limited, chairman of Zhonglian Economic and Technological Development Company, and chief economist of Shenhua Shenfu Fine Coal Company. Prior to joining Shenhua Group in May 1996, Dr. Hao acted as the vice director of the Yanzi Mountain Coal Mine of Datong Mining Bureau and the lecturer of the Institute of Economics and Trade of China University of Mining and Technology, etc. Dr. Hao is a senior economist and a professor. He has in-depth industry knowledge with over 20 years of operational and managerial experience in the coal industry in China. He received from China University of Mining and Technology a bachelor's degree in 1984, a master's degree in 1987 and a Ph.D. degree in 2006, respectively.

Mr. Xue Jilian,
aged 57, Chinese

Senior vice president

Mr. Xue has served as a senior vice president of the Company since May 2011. Mr. Xue is a vice general manager of Shenhua Group Corporation Limited and chairman and general manager of Shuohuang Railway Development Company Limited. Mr. Xue served as vice president of China Shenhua Energy Company Limited. Prior to joining Shenhua Group in April 1999, Mr. Xue served as deputy director and chief engineer of No.16 Construction Bureau of the Ministry of Railways, among other positions. Mr. Xue is a professor-level senior engineer. He has extensive operational and managerial experience in large-scale railway construction and rail transportation enterprises. He graduated in 1993 from Southwest Jiaotong University with a bachelor's degree, received a master's degree from Southwest Jiaotong University in 2001, and obtained an MBA degree from Cheung Kong Graduate School of Business in September 2008.

Mr. Wang has served as a senior vice president of the Company since May 2011. Mr. Wang is also a vice general manager of Shenhua Group Corporation Limited, chairman of the board of directors of Beijing Guohua Power Company Limited and a director of Greengen Corporation Limited. Mr. Wang served as vice president of China Shenhua Energy Company Limited, chief engineer, deputy chief engineer, and manager of Power Operations Department of Beijing Guohua Power Company Limited and general manager, vice general manager and chief engineer of Suizhong Power Co., Ltd. Prior to joining Shenhua Group in March 1999, he also served as, among other positions, assistant to head of Yuanbao Mountain Power Plant and its deputy head. Mr. Wang is a senior engineer. He has extensive operational and managerial experience in large-scale power enterprises. He graduated from Northeast Power Institute of China with dual bachelor's degrees in 1987.

Mr. Wang Pingang,
aged 50, Chinese

Senior vice president

Dr. Wang has served as the vice president of the Company since November 2004. He is also the chairman of the board of Shenhua Trading Group Limited and chairman of Shenhua Coal Trading Co., Ltd. Mr. Wang has been the chairman of Shenhua Australia Holdings Pty Limited. Prior to joining the Company, Dr. Wang served as the chairman, general manager and deputy general manager of Shenhua Shendong Coal Company, director of Shenhua Port Company, director of the Changchun Coal Technology Centre and director of the Huichun Coal Mining Bureau, etc. Dr. Wang is a researcher and senior engineer and has approximately 30 years of operational and management experience in the coal industry in China. He graduated from Jilin University with a bachelor's degree in 1992 and received a master's degree from Liaoning University of Engineering and Technology in 2002. In 2006, he graduated from Liaoning University of Engineering and Technology and obtained a Ph.D. degree. He graduated from the School of Economics and Management in Tsinghua University in February 2009 with a master's degree in EMBA.

Dr. Wang Jinli,
aged 52, Chinese

Vice president

Mr. Zhai Guiwu,
aged 48, Chinese
Vice president

Mr. Zhai has served as a vice president of the Company since May 2011. Mr. Zhai had been the chairman (vice-president level of China Shenhua Energy Company Limited) and an executive director of Shenhua Shendong Coal Group Co., Ltd., an executive director and general manager of Shenhua Shendong Coal Group Co., Ltd., chairman and general manager of Shendong Coal Group, and deputy general manager and general manager of China Shenhua Energy Company Limited Shendong Coal Branch. Prior to joining Shenhua Group in 1999, Mr. Zhai also served as deputy chief engineer of Dayan Mining Bureau, head of Power Service Plant of Dayan Mining Bureau, deputy manager of Mechanical and Electrical Company, deputy head of Marketing Office and deputy head of No.1 mine of Dayan Mining Bureau,etc. Mr. Zhai is a professor-level senior engineer. He has extensive experience in the management of coal production safety. He graduated with a bachelor's degree, a MBA degree and a Ph.D. degree from Liaoning Technical University, Tsinghua University and China University of Mine and Technology in 1997, 2008 and 2010, respectively.

Mr. Huang Qing,
aged 46, Chinese
Secretary to the Board

Mr. Huang has served as the secretary to the Board of the Company since November 2004 and is also the company secretary of the Company. Prior to joining the Company, Mr. Huang served as the deputy director of the General Office of Shenhua Group from 2002 and secretary to the chairman of Shenhua Group since July 2003. Prior to joining Shenhua Group in 1998, Mr. Huang served as the deputy general manager of Hubei Provincial Railway Company and secretary to the deputy governor of the Hubei provincial government. Mr. Huang obtained a board secretary certification from Shanghai Stock Exchange in 2004. Mr. Huang is a senior engineer. He graduated from the National University of Defense Technology with a bachelor's degree in 1988 and received a master's degree from Guangxi University in 1991.

Ms. Zhang Kehui,
aged 48, Chinese
Chief financial officer

Ms. Zhang has served as the chief financial officer of the Company since January 2007. Ms. Zhang had previously acted as the head of the internal control and auditing department of the Company. Prior to joining the Company, Ms. Zhang acted as the deputy manager of financial department of Shenhua Group and assistant to the general manager of Shuohuang Railway Development Company Limited. Being a researcher, a certified accountant in China as well as a fellow of certified public accountants of Australia (FCPA), Ms. Zhang has extensive experience in financial management. Ms. Zhang graduated from Shanxi University with a bachelor's degree in Arts in 1985 and received a master's degree in engineering from China University of Mining and Technology in 1994.

Positions of directors, supervisors and senior management held in the shareholders of the Company and other entities

Positions held in shareholders

Name	Name of shareholder	Position held	Commencement of term of office	Expiry of term of office	Whether remuneration or allowance was paid by a shareholder of the Company during term of office in the year
Zhang Xiwu	Shenhua Group Corporation	Chairman	2008-12	–	Yes
	Beijing Guohua Power Company Limited	Chairman	2008-12	2011-11	No
Zhang Yuzhuo	Shenhua Group Corporation	Director and general manager	2008-12	–	Yes
Ling Wen	Shenhua Group Corporation	Director and deputy general manager	2010-04	–	No
	Shenhua Finance Company[Note 1]	Chairman	2002-03	–	No
Han Jianguo	Shenhua Group Corporation	Deputy general manager	2003-08	–	No[Note 2]
Liu Benren	Shenhua Group Corporation	External director	2005-11	–	Yes
Xie Songlin	Shenhua Group Corporation	External director	2005-11	–	Yes
Sun Wenjian	Shenhua Group Corporation	Head of Disciplinary Team	2008-12	–	Yes
		Union chairman	2009-03	–	Yes
		Employee director	2010-08	–	Yes
Tang Ning	Shenhua Group Corporation	Deputy director of the Property Ownership Administration	2010-05	2011-11	No
		Managing director of the first division of the delegated Supervisory Committee	2011-11	–	No
Wang Xiaolin	Shenhua Group Corporation	Deputy general manager	2006-08	–	No[Note 2]
		Secretary to the Board	2005-12	–	No[Note 2]
Li Dong	Shenhua Group Corporation	Deputy general manager	2006-08	–	No[Note 2]
Hao Gui	Shenhua Group Corporation	Deputy general manager	2010-04	–	No[Note 2]
Xue Jilian	Shenhua Group Corporation	Deputy general manager	2010-04	–	No[Note 2]
Wang Pingang	Shenhua Group Corporation	Deputy general manager	2010-04	–	No[Note 2]
	Beijing Guohua Power Company Limited	Chairman	2011-11	–	No
Wang Jinli	Shenhua Coal Trading Company Limited	Chairman	2010-12	–	No

Note: 1. Upon the acquisition of the equity interest of Shenhua Finance Company held by Shenhua Group and its subsidiaries in February 2011, China Shenhua directly and indirectly held 99.29% equity interest in Shenhua Finance Company, and Shenhua Finance Company became a subsidiary of the Company.

2. Prior to their appointments as senior vice president of the Company, Han Jianguo, Wang Xiaolin, Li Dong, Hao Gui, Xue Jilian and Wang Pingang received remuneration or allowance from shareholders; they have not received any remuneration or allowance from shareholders since their appointments as senior vice president of the Company.

Positions held in other entities

Name	Name of entity	Position held	Commencement of term of office	Expiry of term of office	Whether remuneration or allowance was paid
Fan Hsu Lai Tai	China Overseas Land & Investment Limited	Independent non-executive director	2009-02	–	Yes
	COSCO Pacific Limited	Independent non-executive director	2009-01	–	Yes
	China COSCO Holdings Company Limited	Independent non-executive director	2011-05	–	Yes
Gong Huazhang	COFCO Corporation	External director	2011-04	–	Yes
	Dongfang Electric Corporation Limited	External director	2009-04	–	Yes
	Nanyang Commercial Bank (China) Limited	Independent non-executive director	2007-12	–	Yes
	China Railway Group Limited	Independent non-executive director	2007-09	–	Yes
	China Southern Airlines Company Limited	Independent non-executive director	2007-06	–	Yes
Liu Benren	Fosun International Limited	Non-executive director	2007-06	–	Yes
	Prosperity International Holdings (H.K.) Ltd.	Non-executive director, vice chairman	2010-08	–	Yes
Xie Songlin	China Electronics Corporation	External director	2006-05	–	Yes
	State Development & Investment Corporation	External director	2011-05	–	Yes
Guo Peizhang	GD Power Development Co., Ltd.	Chairman of Supervisory Committee	2009-09	2011-03	No
	Dongfang Electric Corporation Limited	External director	2010-12	–	Yes

Remuneration policy of directors, supervisors and senior management and appraisal system and incentive mechanism for senior management

The remuneration of directors and supervisors of the Company are proposed by the Remuneration Committee of the Board of the Company, in accordance with international and domestic practices and with reference to the remuneration of directors and supervisors of large-scale listed companies in China, and submitted to the annual general meeting of the Company for approval subject to the consideration and approval by the Board of the Company. The remuneration of senior management of the Company is proposed by the Remuneration Committee of the Board of the Company in accordance with the Company's operating conditions in 2011 and the "Provisional Measures for the Administration of the Annual Remuneration of the Senior Management of China Shenhua Energy Company Limited" formulated by the Company, and is considered and approved by the Board of the Company.

Please refer to the section "Directors, Supervisors, Senior Management and Employees" of this chapter for the particulars on remuneration of directors and supervisors of the Company, and the proposed remuneration package of the directors and supervisors is subject to the approval by the Company's shareholders at the 2011 annual general meeting. Details of remuneration are set out in note 11 to the financial statements for the year prepared in accordance with IFRSs.

Zhang Xiwu, the Chairman of the board of directors, Zhang Yuzhuo, the Vice Chairman of the board of directors, Liu Benren and Xie Songlin, both directors, and Sun Wenjian, the Chairman of Supervisory Committee, do not receive any remuneration from the Company.

The Company has adopted a performance appraisal system for senior management which combines annual appraisal of operational performance and appraisal of operational performance over the terms of office. Such annual appraisal and appraisal over the terms of office are conducted based on the letter of responsibility of operational performance signed by the Board and senior management.

The Company has adopted a share appreciation rights scheme, the grantees of which include the management and key administrative officers of the Company. The cash remuneration of the management is determined in accordance with the "Provisional Measures for the Administration of the Annual Remuneration of the Senior Management of China Shenhua Energy Company Limited". In addition to the basic salary, the Board of the Company conducts appraisal based on the performance of management, and a performance bonus is determined based on the results of such appraisal. During the reporting period, the Company did not grant any share appreciation rights to the management.

Other significant matters in relation to directors, supervisors and senior management

When considering any matters or transactions at any Board meeting, the directors are required to declare any direct or indirect interests, and shall abstain from the meeting where appropriate. The Company will, during each financial year, require the directors to confirm if they or their associates have entered into any connected transaction with the Company or any of its subsidiaries.

Save for their service contracts with the Company, none of the directors and supervisors of the Company has any material personal interests, directly or indirectly, in material contracts entered into by the Company or any of its subsidiaries in 2011 and subsisting during and at the end of the year of 2011.

The Company has entered into service contracts with all of its directors and supervisors. None of the directors or supervisors has entered into or proposed to enter into any service contract with members of the Group which cannot be terminated by the Group within one year without any compensation (other than the statutory compensation).

Other than their working relationships in the Company, none of the directors, supervisors or the senior management has any financial, business or family relationship or any relationship in other material aspects with each other. For the year ended 31 December 2011, the Company had not granted any equity securities or warrants to its directors, supervisors and senior management or their respective spouses or children under the age of 18.

Employees of the Company

As at 31 December 2011, the Company had 82,260 employees in total. The total number of retired employees in respect of which the Company bears cost was 7,650. Composition of the employees was as follows:

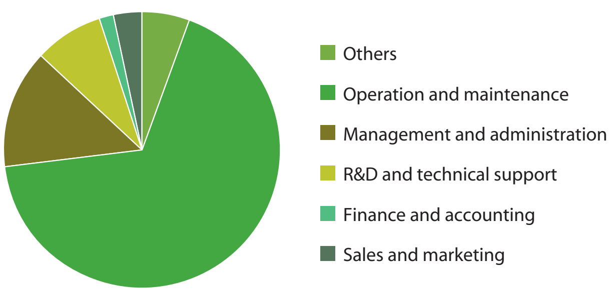
1. By function

Functions	**As at 31 December 2011**	As at 31 December 2010	Change
	person	person	%
Operation and maintenance	**55,536**	44,712	24.2
Management and administration	**11,389**	9,029	26.1
Finance and accounting	**1,421**	1,026	38.5
R&D and technical support	**6,656**	5,015	32.7
Sales and marketing	**2,629**	1,402	87.5
Others	**4,629**	3,970	16.6
Total	**82,260**	65,154	26.3

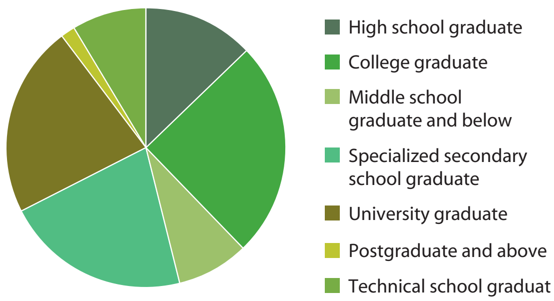
2. By education level

Degrees of education	**As at 31 December 2011**	As at 31 December 2010	Change
	person	person	%
Postgraduate and above	**1,522**	1,030	47.8
University graduate	**18,110**	13,744	31.8
College graduate	**20,703**	16,665	24.2
Specialized secondary school graduate	**17,561**	13,922	26.1
Technical school graduate	**6,923**	4,497	53.9
High school graduate	**10,597**	9,785	8.3
Middle school graduate and below	**6,844**	5,511	24.2
Total	**82,260**	65,154	26.3

By function



By education level



Independence of the Company from its Controlling Shareholder

China Shenhua has an independent and complete business system as well as a market-oriented self-operation capability. The Company is independent from its controlling shareholder in terms of business, personnel, assets, organization and finance.

As a transitional arrangement for the listing of the whole Shenhua Group, the Company was entrusted by Shenhua Group Corporation in 2011 to provide daily operation management services for the assets and businesses of Shenhua Group pending listing upon the completion of relevant procedures. The Company engaged six vice general managers of Shenhua Group Corporation as the senior vice presidents of the Company.

While preserving the independent and complete business system and the market-oriented self-operation capability, the Company shall push forward the listing of the whole Shenhua Group, to further regulate connected transactions, avoid competition and strive to maximize the interest of the shareholders.

Explanations for competition of business and connected transactions due to reasons such as restructuring:

(I) The Company principally engages in production and sales of coal, production and sales of power and heat, railway, port and shipping transportation, etc. With respect to production and sales of coal, the Company mainly produces and sells thermal coal products, meanwhile purchases other types of products from third parties for coal blending and re-sales.

Currently, the major coal products produced by enterprises, such as Shenhua Ningxia Coal Industry Group Co., Ltd., which is the continuing asset of Shenhua Group Corporation, the controlling shareholder of the Company, include thermal coal, coking coal and anthracite, etc. The thermal coal products produced by these companies are similar to those produced by the Company in terms of types and quality to some extent, but have their respective regional markets which is relatively independent.

The Company and Shenhua Group Corporation have entered into a Non-competition Agreement in 2005. Pursuant to this agreement, Shenhua Group has committed not to compete with the Company in respect of the Company's core businesses in and outside of the PRC, and granted the Company an option and pre-emptive right to acquire from Shenhua Group any potential competing business. The Company and Shenhua Group Corporation have entered into Xisanju Coal Mines Coal Agency Sales Agreement to minimise as far as possible any potential competition between coal sales of Xisanju Coal Mines and that of the Company.

In 2011, Shenhua Group Corporation has strictly abided by its commitments, and there has not been any violation of such commitments. In order to avoid and reduce potential competition in the future, the Company acquired the equity interests or assets of ten companies, which engaged in coal and power businesses and other related businesses and were owned by Shenhua Group Corporation and its subsidiaries. The Company has also started the acquisition of other assets of the Group. As for new business opportunities, Shenhua Group Corporation carries out relevant procedures in strict compliance to the Non-competition Agreement. A written inquiry to the Company on whether the Company will exercise the pre-emptive right and option was sent by Shenhua Group Corporation when it was acquiring the partial equity interests in Zhoushan Langxi Power Generation Co., Ltd in 2011. The Company made a formal reply to Shenhua Group Corporation for the waiver of the pre-emptive right and option after a poll by the independent non-executive directors. The Company will exercise its relevant rights under the Non-competition Agreement to continue to acquire the mature and quality continuing assets of Shenhua Group as and when appropriate in the future.

(II) Particulars of connected transactions of the Company are stated in the section headed "Significant Events".

The amounts of all connected transactions between China Shenhua and Shenhua Group in 2011 were within the approved caps. Except that there is a year-on-year increase in the amount of the following connected transactions, the year-on-year amount of the other connected transactions decreased or generally remained the same as compared with that of the previous year:

1. The Company established its development strategy to "pursue scientific development, rebuild Shenhua and double economic aggregate output within five years" and conducted a series of capacity expansion and reconstruction activities. Bulk order and purchase of a large number of production equipment and materials for fulfilling the need of capacity expansion and reconstruction has resulted in an increase in the amount of transactions in relation to providing products and ancillary services by Shenhua Group to China Shenhua.

2. As demand for coal and production related materals heightened as a result of the expansion of businesses of Shenhua Group, such as coal chemicals and power generation, transaction amount in relation to the purchase of coal and production related materals by Shenhua Group from China Shenhua grew at a fast pace. As these transactions were effected at market prices as agreed under relevant agreements, thus increasing the revenue of China Shenhua and generating more profits for the shareholders, which are favourable for the growth of China Shenhua operating results and the appreciation of shareholders' equity.

In accordance with the principle of maximising shareholders' interests, the Company strictly complied with the approval procedures, disclosed the relevant information in a timely manner and adopted the following measures to further regulate and reduce connected transactions:

1. Actively and consistently implemented the requirements of securities regulatory authorities, strictly complied with the requirements on connected transactions under the "Articles of Association", "Related Party Transactions Decision Making Systems", "Measures on the Management of Related Party Transactions" and the rules of its domestic and overseas place of listing, and continued to improve the internal systems for connected transactions of the Company.

2. Set up stricter approval procedures for connected transactions. For continuing connected transactions, the transaction cap is reviewed and approved every three years and is strictly monitored in order that the amount for each transaction type does not exceed their caps; for any new connected transaction of one-off nature, the principle of "approval before transaction" is strictly applied, which brought into full play the role of the independent directors, ensured fairness of the transaction price and compliance of the procedure of the connected transactions with applicable rules and safeguarded to the maximum extent the interests of all shareholders.

3. Keep on acquiring the equity interests or assets of Shenhua Group and its subsidiaries.

The Company will gradually acquire the mature and quality continuing assets of Shenhua Group in the future while continuing to adopt the above-mentioned measures with the adherence to the principle of "listing of the whole group and implementation by phases", so as to reduce the connected transactions between the Company and Shenhua Group.

Establishment, Improvement and assessment of Internal Control System

Establishment, improvement and effective implementation of internal control is the responsibility of the Board of the Company. The Supervisory Committee monitors the Board on its establishment and implementation of internal control. The management team is responsible for organizing and leading the daily operation of the Company's internal control.

The objectives of the Company's internal control are: providing reasonable assurance that the Company's operations comply with the laws and regulations, the information on asset security and financial reports are true, complete and reliable, minimizing the risk of material misstatement, increasing operating efficiency and results, facilitating the achievement of development strategies of the Company. Only reasonable assurance can be provided for the above objectives due to the inherent limitations of internal control. Also, the effectiveness of internal control may vary along with changes in the internal and external environment and the operating conditions of the Company. The Company has the inspection and monitoring mechanism for internal control in place. Once a flaw in the internal control system is identified, the Company will carry out relevant remedial measures.

In 2011, the Company carried out assessment of internal control in accordance with the relevant regulatory requirements of "Basic Standard for Enterprise Internal Control", "Application Guidelines for Enterprise Internal Control" and the "Guidelines for Assessment of Enterprise Internal Control" issued by five ministries and commissions including the Ministry of Finance (hereinafter referred to as Basic Rules and Supplementary Guidelines on Internal Control) and the "Code on Corporate Governance Practices" issued by the Hong Kong Stock Exchange.

The Board of the Company authorizes the Internal Control and Audit Department to organize and carry out assessment of internal control. The Company establishes the assessment principles that comply with regulatory requirements in line with Company's actual situation and represents the Company's characteristics. The scope of assessment covers the principal business and matters of the Company's headquarters and subsidiaries (branches) companies. The assessment includes the entire content of 18 guidelines for practices with supplemental information of the unique businesses of the Company. The assessment generally covers the major aspects of the Company's production and operation, which appraise the effectiveness of both design and implementation of internal control.

According to the requirements of the relevant guidelines, the Company shall set standards for identification of deficiencies, including material deficiencies, important deficiencies and general deficiencies. Material deficiencies refer to a single deficiency or a combination of several deficiencies on control that may result in the Company's severe deviation from the control objectives; important deficiencies refer to a single or a combination of several deficiencies on control which are less severe and have less economic consequence than material deficiencies and may still result in the Company's deviation from the control objectives; general deficiencies refer to deficiencies other than material and important deficiencies.

Based on the aforesaid identification standards and the daily monitoring and specific inspection on internal control of the Company, the Company considers that during the reporting period, internal control has been established for the business and matters that are included in the scope of assessment and has been effectively implemented. The objectives for the Company's internal control have been achieved and no material deficiencies on internal control was identified during the reporting period. The Company has carried out relevant remedial measures or formulated relevant correction plans for the important and general deficiencies identified during the reporting period.

Due to the inherent limitation of internal control, the differences in understanding of internal control among the management members, ever-changing operating environment and unforeseeable risks, we are unable to guarantee the internal control is free from deviations and mistakes.

The Company will keep improving the internal control system based on the accumulated management experience, the advice from shareholders, the development trend of internal control in the domestic and international context and changes in internal and external risks in accordance with regulatory rules and requirements.

The Board of the Company has carried out assessment on the relevant internal control for financial reporting in accordance with the "Basic Standard for Enterprise Internal Control", and considered the internal control to be effective as at 31 December 2011 (benchmark date).

The Company has engaged KPMG Huazhen to carry out audit on the effectiveness of the relevant internal controls on the Company's financial reporting, and KPMG has issued "Audit Report on Internal Control." It is KPMG's opinion that as at 31 December 2011, China Shenhua has maintained effective internal control over its financial reporting in all material aspects in accordance with "Basic Standard for Enterprise Internal Control" and the relevant requirements.

Please refer to the relevant announcement published on the website of Shanghai Stock Exchange on 24 March 2012 for "The 2011 Assessment Report on the Internal Control of China Shenhua Energy Company Limited" and "Audit Report on Internal Control."

Daily Work of the Board of the Company

The Company has formulated a sound system relating to the decision-making of the Board in accordance with relevant regulatory requirements and the Articles of Association. The Company has established five Board Committees, including the Strategy Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Safety, Health and Environment Committee. The Board conducts daily work in strict compliance with the Articles of Association.

Board meetings of the Company

In 2011, the Board held a total of 11 meetings, details of which are as follows:

No.	Name	Date	Methods	Resolutions passed
1	The 10th meeting of the second session of the Board	14 January 2011	Correspondence	"Resolution on the Establishment of a Joint Venture – Shenhua Zhunchi Railway Co., Ltd."
2	The 11th meeting of the second session of the Board	18 March 2011	Correspondence	Please refer to "China Shenhua Energy Company Limited – Announcement Regarding the Provisional Use of Idle Proceeds as Working Capital" (Lin 2011-011) dated 19 March 2011.
3	The 12th meeting of the second session of the Board	25 March 2011	On-site	Please refer to "China Shenhua Energy Company Limited – Announcement of Resolutions Passed at the 12th Meeting of the Second Session of the Board" (Lin 2011-012) dated 26 March 2011
4	The 13th meeting of the second session of the Board	15 April 2011	Correspondence	"Resolution on Purchasing 51% Equity of Huayang (Luoyang) Electric Power Co., Ltd"
5	The 14th meeting of the second session of the Board	29 April 2011	On-site with correspondence	Please refer to "China Shenhua Energy Company Limited – Announcement of Resolutions Passed at the 14th Meeting of the Second Session of the Board" (Lin 2011-020) dated 30 April 2011
6	The 15th meeting of the second session of the Board	24 May 2011	On-site with correspondence	Please refer to "China Shenhua Energy Company Limited – Announcement on Resolutions of the 15th Meeting of the Second Session of the Board and Changes of Directors' Duties and Changes in the Composition of Senior Management"(Lin 2011-023) dated 25 May 2011
7	The 16th meeting of the second session of the Board	6 July 2011	Correspondence	1. "Resolution on the Establishment of a Wholly-owned Company-Shenhua Baotou Energy Co., Ltd." 2. "Resolution on Capital Increment in Shenhua Geological Exploration Co., Ltd." 3. "Resolution on the Establishment of a Joint Venture – Shenwan Energy Company Limited"
8	The 17th meeting of the second session of the Board	26 August 2011	On-site with correspondence	Please refer to "China Shenhua Energy Company Limited – Announcement of Resolutions Passed at the 17th Meeting of the Second Session of the Board" (Lin 2011-034) dated 27 August 2011
9	The 18th meeting of the second session of the Board	28 September 2011	Correspondence	1. "Resolution on the provisional use of partial idle proceeds as working capital" 2. "Resolution on Equity Investment in Hulunbeier Zhaluomude Water Resources and Hydropower Co., Ltd."

No.	Name	Date	Methods	Resolutions passed
10	The 19th meeting of the second session of the Board	28 October 2011	On-site with correspondence	Please refer to "China Shenhua Energy Company Limited – Announcement of Resolutions Passed at the 19th Meeting of the Second Session of the Board" (Lin 2011-042) dated 29 October 2011
11	The 20th meeting of the second session of the Board	20 December 2011	On-site with correspondence	"Resolution on the operating plan of China Shenhua Energy Company Limited for the year 2012"

Number of board meetings held during the year	11
Including: Number of meetings held on-site	1
Number of meetings held via correspondence	5
Number of meetings held on-site with correspondence	5

Details of the attendance of directors at Board meetings of the Company in 2011 are set out in the table below:

Name of director	Independent director	Required attendance	Attendance in person	Attendance via correspondence		Attendance by proxies	Absence	Absent at two meetings in a row
				Attendance and voting in writing	Attendance of live meeting over the phone			
Zhang Xiwu	No	11	11	5	0	0	0	No
Zhang Yuzhuo	No	11	11	5	0	0	0	No
Ling Wen	No	11	11	5	1	0	0	No
Han Jianguo	No	11	11	5	1	0	0	No
Fan Hsu Lai Tai	Yes	11	11	5	1	0	0	No
Gong Huazhang	Yes	11	11	5	0	0	0	No
Liu Benren	No	11	11	5	3	0	0	No
Xie Songlin	No	11	11	5	0	0	0	No
Guo Peizhang	Yes	11	11	5	1	0	0	No

Operation of Board Committees of the Company

Performance of duties by the Audit Committee

The Audit Committee of the second session of the Board is comprised of Mr. Gong Huazhang, Mr. Xie Songlin and Mr. Guo Peizhang, with Mr. Gong Huazhang as the chairman.

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 auditing schedule of the Company for the year;

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

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

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

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

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

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

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

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

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

(12) to review the Group's financial and accounting policies and practices;

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

(14) to ensure that the Board will provide a timely response to the issues raised in the external auditor's "Letter to the Management for Reporting the Status of the Audit"; and

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

In 2011, the Audit Committee held nine meetings, and all members of the Committee attended all meetings in person. The details of the meetings are as follows:

Name	Date	Methods	Attendees	Resolutions passed
The 6th meeting of the Audit Committee of the second session of the Board	8 March 2011	Correspondence	Entire members	1. "Resolution on Self-Assessment Report (2010) (draft) for Internal Control by the Board of China Shenhua Energy Company Limited" 2. "Resolution on Financial Statements (domestic, international) (draft) for 2010 of China Shenhua Energy Company Limited" 3. "Resolution on the Provisional Use of Partial Idle Proceeds as Working Capital"
The 7th meeting of the Audit Committee of the second session of the Board	21 March 2011	On-site	Entire members	1. The audit progress report submitted by the Company's auditor of the year – KPMG 2. Report on the accounting policies, the preparation of the financial statements and the financial position in 2010 by chief financial officer Zhang Kehui 3. "Resolution on the audited financial report in 2010 of China Shenhua Energy Company Limited" 4. "Resolution on the 2010 Profit Distribution Plan of the Company" 5. "Resolution on the Special Report on Deposit and Actual Use of Proceeds of the Company" 6. "Resolution on the Explanatory Notes to Appropriation of Fund by Related Parties" 7. "Resolution on Self-Assessment Report (2010) on Internal Control by the Board of China Shenhua Energy Company Limited" 8. "Resolution on the Re-appointment of the Company's External Auditor for the Year 2011" 9. "Resolution on the Audit Fee of the Auditor of the Company for the Year 2010 and its Term of Service" 10. "Resolution on the Summary Report on the Performance of Duties by the Audit Committee of the Board for the Year 2010" 11. "Resolution on the Highlight of the Audit on Internal Control in 2011 of China Shenhua Energy Company Limited" 12. "Resolution on the Working Proposal on the Regulation and Implementation of Internal Control for the Year 2011 of China Shenhua Energy Company Limited" 13. "Resolution on the Report on Corporate Social Responsibility of the Company for the Year 2010" 14. "Resolution on the Grant of General Mandate to the Board to Issue New Shares of the Company" 15. "Resolution on the Grant of General Mandate to the Board to Repurchase Shares of the Company" 16. "Resolution on the Closed Discussion between the Audit Committee and the Auditor – KPMG"

Name	Date	Methods	Attendees	Resolutions passed
The 8th meeting of the Audit Committee of the second session of the Board	27 April 2011	On-site with correspondence	Entire members	"Resolution on the first quarterly financial statements (unaudited) of China Shenhua Energy Company Limited for the Year 2011"
The 9th meeting of the Audit Committee of the second session of the Board	4 July 2011	Correspondence	Entire members	"The Interim Review Plan of China Shenhua Energy Company Limited for the Year 2011" formulated by the auditor of the Company
The 10th meeting of the Audit Committee of the second session of the Board	19 August 2011	On-site	Entire members	1. "Resolution on the Amendments to the Decision-Making System Regarding the Connected Transactions (Review Draft) of China Shenhua Energy Company Limited" 2. The interim review progress report submitted by the auditor–KPMG 3. "Resolution on the 2011 Interim Financial Report of the Company" 4. "Resolution on the Special Report on Deposit and Actual Use of Proceeds (Review Draft) of China Shenhua Energy Company Limited" 5. "The Report of the Audit on Internal Control and Assessment of Internal Control for the Year 2011, and Audit Progress Updates Regarding the Financial Statements of 2012" submitted by the Internal Control and Audit Department
The 11th meeting of the Audit Committee of the second session of the Board	20 September 2011	Correspondence	Entire members	"Resolution on the Provisional Use of Partial Idle Proceeds as Working Capital"
The 12th meeting of the Audit Committee of the second session of the Board	27 October 2011	On-site	Entire members	1. "Resolution on the 2011 Third Quarterly Financial Report of the Company" 2. "Resolution on the Increase of Transaction Cap Regarding the Supply of Coal from the Company to Shenhua Group Corporation in 2011" 3. "Resolution on the Annual Audit and Internal Control Audit Proposal of the Company in 2011"
The 13th meeting of the Audit Committee of the second session of the Board	20 December 2011	On-site	Entire members	"Resolution on the Operating Plan of China Shenhua Energy Company Limited for the Year 2012"
The 14th meeting of the Audit Committee of the second session of the Board	31 December 2011	Correspondence	Entire members	"Conclusion of the Regulation and Implementation of Internal Control for the Year 2011" and "Progress Report of the Audit on Internal Control in 2011" of the Company.

The Audit Committee has performed the following necessary procedures for the preparation of the 2011 annual report of the Company:

On 19 August 2011, the Internal Control and Audit Department reported to the Audit Committee for the status of audit on internal control, self-assessment on internal control for the year 2011 and financial statements audit for 2012.

On 27 October 2011, the Audit Committee reviewed the annual audit and internal control audit proposal of the Company in 2011.

On 31 December 2011, the Internal Control and Audit Department submitted the progress report of the audit on internal control in 2011 to the Audit Committee.

On 14 March 2012, the Audit Committee reviewed the unaudited "Financial Report for 2011" (draft) and the "2011 Assessment Report for Internal Control of China Shenhua Energy Company Limited" (draft).

On 19 March 2012, the Audit Committee considered the report from the Financial Department of the Company, on the accounting policies, the preparation of the financial statements and the audit progress.

On 19 March 2012, the Audit Committee approved the audited annual financial statements, the assessment report for internal control and the corporate social responsibility report for the year 2011 by way of poll, and submitted them to the Board for approval.

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

Performance of duties by the Strategy Committee

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

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

In 2011, the Strategy Committee held one meeting, and all members of the Committee attended the meeting in person. The details of the meeting are as follows:

Name	Date	Methods	Attendees	Resolutions passed
The second meeting of the Strategy Committee of the second session of the Board	20 December 2011	Correspondence	Entire members	"Resolution on the operating plan of China Shenhua Energy Company Limited for the year 2012"

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. Liu Benren, with Ms. Fan Hsu Lai Tai as the chairman.

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

In 2011, the Remuneration Committee held two meetings, and all members of the Committee attended both of the meetings in person. The details of the meetings are as follows:

Name	Date	Methods	Attendees	Resolutions passed
The second meeting of the Remuneration Committee of the second session of the Board	21 March 2011	Correspondence	Entire members	1. "Resolution on the Remuneration of the Directors and Supervisors of China Shenhua Energy Company Limited for the Year 2010" 2. "Resolution on the Remuneration of the Senior Management of China Shenhua Energy Company Limited for the Year 2010"
The third meeting of the Remuneration Committee of the second session of the Board	20 December 2011	On-site	Entire members	"Resolution on the Letter of Responsibility of Performance Assessment of China Shenhua Energy Company Limited for the Year 2012"

During the reporting period, the Remuneration Committee reviewed the remuneration management system of the Company and the remuneration level for directors, supervisors, the president and other senior management for the relevant period.

The Remuneration Committee is of the view that the Company has a well-established remuneration management system which reflects the economic benefit-oriented philosophy of a listed company and political, social and economic responsibility of a state-owned enterprise. The Remuneration Committee agrees on the various remuneration management systems of the Company.

Performance of duties by the Nomination Committee

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

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

In 2011, the Nomination Committee held one meeting, and all members of the Committee attended the meeting in person. The details of the meeting are as follows:

Name	Date	Methods	Attendees	Resolutions passed
The third meeting of the Nomination Committee of the second session of the Board	24 May 2011	On-site with correspondence	Entire members	1. "Resolution on the Nomination of Vice Chairman to the Board of the Company" 2. "Resolution on the Appointment of Senior Vice Presidents and Vice Presidents of the Company"

Performance of duties by the Safety, Health and Environment Committee

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

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

In 2011, the Safety, Health and Environment Committee held two meetings in total, and all members of the Committee attended both of the meetings in person. The details of the meetings are as follows:

Name	Date	Methods	Attendees	Resolutions passed
The second meeting of the Safety, Health and Environment Committee of the second session of the Board	24 March 2011	Correspondence	Entire members	"Resolution on the Report on Social Responsibility of China Shenhua Energy Company Limited for the Year 2010"
The third meeting of the Safety, Health and Environment Committee of the second session of the Board	27 December 2011	Correspondence	Entire members	"Report in Relation to the Summary of Safety Production of China Shenhua Energy Company Limited in 2011 and Key Work Arrangements for 2012"

Performance of duties by independent directors

Pursuant to the requirements of the Hong Kong Stock Exchange, the Company confirms the independence of its independent non-executive directors as follows: the Company has received written confirmations from each of the independent non-executive directors confirming their independence in accordance with Rule 3.13 of Hong Kong Listing Rules. The Company is of the view that all of the independent non-executive directors are independent.

During the reporting period, the independent directors of the Company strictly complied with the requirements of relevant laws and regulations, the Articles of Association of China Shenhua, relevant rules of procedures of meeting and the "Systems of Independent Directors" of China Shenhua. They maintained their independence of being independent directors, performed their functions of supervision, participated in the making of various important decisions of the Company and reviewed regular reports and financial statements of the Company. Therefore the independent directors of the Company played an important role in the regulated operation of the Company and protected the lawful interests of minority shareholders. The Company ensured that proper conditions are in place for independent directors to perform their duties.

During the reporting period, the Company appointed three independent non-executive directors, of whom Mr. Gong Huazhang is an accounting professional, which was in compliance with the following requirements under Rule 3.10 of the Hong Kong Listing Rules: (1)the Board shall maintain at least three independent non-executive directors, (2)one of those independent non-executive directors shall possess appropriate accounting or relevant financial management expertise.

For the attendance of independent directors at board meetings, please refer to the section in relation to the attendance of Board meetings of the Company.

Dissenting views of independent directors on matters of the Company

During the reporting period, the independent directors of the Company did not raise any dissenting views to the Board resolutions of the Company for the year.

Independent opinions of independent directors on matters of the Company

No.	Date	Occasion	Details of the independent opinion of independent directors
1	18 March 2011	The 11th meeting of the second session of the Board	Approval of provisional use of partial idle proceeds as working capital
2	25 March 2011	The 12th meeting of the second session of the Board	1. Approval of the re-appointment of the Company's external auditor for the year 2011; 2. Approval of the 2010 remuneration proposal of the Company's directors, supervisors and senior management.
3	24 May 2011	The 15th meeting of the second session of the Board	1. Approval of the election of Dr. Zhang Yuzhuo as Vice Chairman of the second session of the Board of Directors of the Company; 2. Approval for the appointment of Mr. Han Jianguo, Mr. Wang Xiaolin, Dr. Li Dong, Dr. Hao Gui, Mr. Xue Jilian and Mr. Wang Pingang as senior Vice Presidents of the Company and appointment of Mr. Zhai Guiwu as vice president of the Company.
4	26 August 2011	The 17th meeting of the second session of the Board	Approval of the "Assets and Business Management Services Agreement" entered into by the Company and Shenhua Group Corporation for the year 2011 to 2013.
5	26 August 2011	Receipt of the Letter of Soliciting Opinion of the Company issued pursuant to the Non-competition Agreement	Approval of suspending the acquision of equity interest in Zhoushan Langxi Power Generation Co., Ltd. and reserving the rights to acquire the equity interest, asset and other interests in Zhoushan Langxi Power Generation Co., Ltd. from Shenhua Group.
6	28 September 2011	The 18th meeting of the second session of the Board	Approval of provisional use of partial idle proceeds as working capital
7	28 October 2011	The 19th meeting of the second session of the Board	Approval of the upward adjustment to the annual caps for the value of various types of coal sold to Shenhua Group by the Company in 2011

General Meetings

Shareholders' rights

As the owners of the Company, the shareholders of the Company are entitled to the rights as stipulated in laws, administrative regulations and the Articles of Association of China Shenhua. The shareholders' general meeting is the highest authority of the Company, through which shareholders can exercise their rights. Controlling shareholder take part in the decision-making on the Company's operation through shareholders' general meetings and the Board.

Pursuant to Article 68 and 74 of the Articles of Association of China Shenhua, two or more shareholders who severally or jointly hold more than 10% (including 10%) of the shares with voting rights may submit written request to the Board for the convening of the extraordinary general meeting or class meetings. Upon the receipt of such request, the Board shall convene the extraordinary general meeting or class meetings as soon as possible. If the Board failed to issue the notice of meeting within 30 days of the receipt of such written request, the shareholders submitting such request may convene the meeting on their own within four months after the receipt by the Board of such request. The reasonable cost incurred by the shareholders as a result of convening such meeting on their own shall be borne by the Company. The Board, the Supervisory Committee and shareholders severally or jointly holding more than 3% shares of the Company are entitled to submit proposals at the general meeting.

The Company makes timely, accurate and complete information disclosures in strict compliance with the listing rules of its place(s) of listing. This is to ensure the openness, fairness, equality and consistency for all shareholders in obtaining information. The Company has established an effective communication channel with shareholders through an information disclosure system and a reception system for investors. Shareholders are entitled to be informed and to participate in the significant events of the Company as specified in laws, administrative regulations and the "Articles of Association".

Upon providing with evidence of the class and number of shares of the Company held in writing, and following the verification of the shareholders' identity by the Company, shareholders are entitled to inspect the relevant information of the Company or obtain the Articles of Association, the register of members, minutes of general meetings, regular reports, resolutions of meetings of the Board and the Supervisory Committee and financial and accounting reports, etc.

Convening of General Meetings

Pursuant to the "Articles of Associations" of China Shenhua and "Rules of Procedures of Shareholders' General Meetings" of China Shenhua, the Company expressly stipulates the convening and voting procedures of general meetings. During the reporting period, the Company held one extraordinary general meeting, one annual general meeting and two class meetings in strict compliance with the notification, convening and holding procedures of general meetings set forth in relevant laws and regulations, listing rules in the place(s) of listing and the "Articles of Association". The details of the meetings are as follows:

Name of meeting	Date of meeting	Venue of meeting	Number of shareholders/ proxies present at the meeting	Total number of shares represented by attendees	Percentage of total share capital/class share capital
			person	no. of share	%
2011 First Extraordinary General Meeting	25 February 2011	Beijing	34	16,663,010,950	83.78
2010 Annual General Meeting	27 May 2011	Hong Kong	75	16,331,553,843	82.11
2011 First Class Meeting of Holders of A shares	27 May 2011	Hong Kong	5	14,525,570,389	88.08
2011 First Class Meeting of Holders of H shares	27 May 2011	Hong Kong	61	1,749,329,018	51.47

The notices of the aforesaid meetings (which include the corresponding contact details and opinion forms for shareholders' use) were given over 45 days prior to the convening of the meetings with particulars of the meetings being disclosed at the websites of the stock exchanges both in the PRC and Hong Kong in accordance with requirements of the "Articles of Association". Apart from accepting registration of shareholders' attendance by way of facsimile, the Company also actively invited the attendance of holders of A shares and H shares and fund analysts. Sufficient time was given to shareholders for consideration of proposals and for Q&A session. Shareholders actively participated in such sessions and were fully entitled to exercise their various rights such as the right to know, the right of speech, the right to question and the right to vote. The meetings enabled good communication between the management and shareholders.

The shareholders' representative, supervisors' representative, witness lawyers and the representative of the Company's registrar and transfer office of H Shares, Computershare Hong Kong Investor Services Limited, acted as the scrutineers at the general meetings. The PRC legal advisor of the Company, King & Wood, issued the "Legal Opinion Regarding the 2011 First Extraordinary General Meeting of China Shenhua Energy Company Limited", the "Legal Opinion on the 2010 Annual General Meeting and the 2011 First Class Meeting of the Holders of A Shares and the 2011 First Class Meeting of the Holders of H Shares of China Shenhua Energy Company Limited".

For details of the proposals and resolutions, please refer to the following announcements published on the Company's website: "Announcement on the Resolutions of the 2011 First Extraordinary General Meeting of China Shenhua Energy Company Limited" (Lin 2011-005) dated 26 February 2011, "Announcement on the Resolutions of the 2010 Annual General Meeting of China Shenhua Energy Company Limited" (Lin 2011-024) and "Announcement on the Resolutions of the 2011 First Class Meeting of the Holders of A Shares and the 2011 First Class Meeting of the Holders of H Shares of China Shenhua Energy Company Limited" (Lin 2011-025) dated 28 May 2011.

Implementation of resolutions passed at the general meeting by the Board

During the reporting period, the Company held the 2011 first extraordinary general meeting on 25 February 2011, the 2010 annual general meeting, the 2011 first class meeting of the holders of A shares and the 2011 first class meeting of the holders of H shares on 27 May 2011; the Board and director groups have strictly implemented resolutions passed at the general meetings. Among these resolutions, resolutions involving authorisation and granting of mandates are as follows:

No.	General Meeting	Event	Status
1	2011 First Extraordinary General Meeting	To authorise a director group comprising Zhang Xiwu, Zhang Yuzhuo, Ling Wen and Gong Huazhang to process each detailed matter in relation to the acquisition of certain assets of the parent and its subsidiaries at its full discretion, including but not limited to the execution, supplementation, amendment and implementation of the above documents in relation to the transaction on behalf of the Company, obtaining the approval from the government and making information disclosure pursuant to the requirement of the listing rules in the jurisdiction where the Company's shares are listed and completing the registration procedures for change of ownerships of relevant assets.	The relevant transactions completed on or before 30 April 2011 and the relevant authorisation has been duly executed.
2	2010 Annual General Meeting	To approve the profit distribution plan of the Company for the year 2010 and authorize a director group comprising Zhang Xiwu, Zhang Yuzhuo and Ling Wen to implement the above profit distribution.	The 2010 final dividend was distributed and tax rebate was processed before 17 June and 26 August 2011.
3	2010 Annual General Meeting	To approve the re-appointment of external auditors for the year 2011 and authorize a director group comprising Zhang Xiwu, Zhang Yuzhuo, Ling Wen and Gong Huazhang to determine on their remuneration.	For details of the auditors' remuneration for the year 2011, please refer to the section "Significant Events" of this report.
4	2010 Annual General Meeting	To approve the general mandate granted to the board of directors to, by reference to market conditions and in accordance with needs of the Company, issue additional A shares and H shares of the Company.	Such mandates have not been exercised based on the market conditions and the needs of the Company.
5	2010 Annual General Meeting, the 2011 first class meeting of the holders of A shares and the 2011 first class meeting of the holders of H shares	To approve the general mandates granted to the board of directors to, by reference to market conditions and in accordance with needs of the Company, repurchase A shares and H shares of the Company.	Such mandates have not been exercised based on the market conditions and the needs of the Company.

All members of the Supervisory Committee of China Shenhua Energy Company Limited had, consistent with the principle of honesty and integrity and based on the attitude of being responsible to all shareholders, honestly carried out their supervisory duties and protected the lawful interests of the Company and its shareholders in accordance with the "Company Law of the Peoples' Republic of China" and the "Articles of Association".

Operation of the Supervisory Committee

During the reporting period, in compliance with the requirements of the "Articles of Association" and the "Rules of Procedures of Meetings of the Supervisory Committee", the Supervisory Committee duly implemented the resolutions of the general meetings, attended all board meetings, conducted on-site examinations on the operations and the financial position of the Company, and duly oversaw the performance of duties of the directors, president and senior management of the Company.

In 2011, the Supervisory Committee held six meetings in total.

Meeting	Date	Venue	Method of meeting	Attendance of supervisors	Subject matter	Voting results
The 5th meeting of the second session of the Supervisory Committee	18 March	Beijing	In writing	All	Resolution on the provisional use of partial idle proceeds as working capital	Approved unanimously
The 6th meeting of the second session of the Supervisory Committee	25 March	Beijing	On-site	All	Resolution on the 2010 annual report of the Company	Approved unanimously
					Resolution on the social responsibility report of the Company for the year 2010	Approved unanimously
					Resolution on the 2010 financial report of the Company	Approved unanimously
					Resolution on the 2010 profit distribution plan of the Company	Approved unanimously

Meeting	Date	Venue	Method of meeting	Attendance of supervisors	Subject matter	Voting results
					Resolution on the "Special Report on Deposit and Actual Use of the Proceeds of the Company"	Approved unanimously
					Resolution on the Self-assessment Report on Internal Control of the Company (2010) by the Board of the Company"	Approved unanimously
					Resolution on the work report of the Supervisory Committee of the Company for the year 2010	Approved unanimously
The 7th meeting of the second session of the Supervisory Committee	29 April	Beijing	On-site	All	Resolution on the 2011 first quarterly report of the Company	Approved unanimously
The 8th meeting of the second session of the Supervisory Committee	26 August	Beijing	On-site	All	Resolution on the 2011 interim financial statements of the Company	Approved unanimously
					Resolution on the "Special Report on Deposit and Actual Use of the Proceeds of the Company"	Approved unanimously
					Resolution on the 2011 interim report of the Company	Approved unanimously
The 9th meeting of the second session of the Supervisory Committee	28 September	Beijing	In writing	All	Resolution on the provisional use of partial idle proceeds as working capital	Approved unanimously
The 10th meeting of the second session of the Supervisory Committee	18 October	Beijing	On-site	All	Resolution on the 2011 third quarterly report of the Company	Approved unanimously

In compliance with the regulatory disclosure requirements, the Company published announcement on resolutions of the 6th meeting of the second session of the Supervisory Committee in accordance with the law. For details, please refer to the "Announcement on Resolutions of the 6th meeting of the Second Session of the Supervisory Committee" (Lin 2011-013) published by the Company on 26 March 2011 in the designated newspapers for disclosure and on the website of Shanghai Stock Exchange.

Independent opinion of the Supervisory Committee on the lawful operation of the Company

The Supervisory Committee is of the opinion that the directors, president and other senior management of the Company have acted in strict accordance with the Company Law, the Securities Law, the Articles of Association and other relevant regulations and rules of the jurisdiction where the Company is listed, have performed their duties with integrity and diligence and implemented the resolutions of, and exercised the power granted by, the general meetings; and that the decisions and operations are in compliance with the laws and regulations and the Articles of Association. During the reporting period, the Supervisory Committee is not aware of any act committed by the directors, president and other senior management of the Company during their performance of duties which were in breach of laws, regulations and the Articles of Association or prejudicial to the interests of the Company.

Independent opinion of the Supervisory Committee on the financial position of the Company

The Supervisory Committee is of the opinion that the financial statements of the Company give an objective, true and fair view of the financial position and the operating results of the Company in all material aspects and are true and reliable with its regulated financial audit and sound internal control system.

Independent opinion of the Supervisory Committee on the actual use of the proceeds from the latest fund-raising exercise of the Company

The Supervisory Committee is of the opinion that the actual use of the proceeds from the latest fund-raising exercise of the Company was in line with that disclosed in the prospectus.

Independent opinion of the Supervisory Committee on the acquisitions or disposals of assets by the Company

During the reporting period, the "Resolution on the acquisition of certain assets of Shenhua Group, the Company's controlling shareholder, and its subsidiaries" was considered and approved at the 2011 First Extraordinary General Meeting of the Company, pursuant to which, the Company used the proceeds raised from its initial public offering of A shares for the acquisition of the equity interests or assets of ten companies, which engaged in coal, power and related business and are held by Shenhua Group Corporation Limited (being the Company's controlling shareholder) and its subsidiaries, at a consideration of RMB8,702.16 million. The Supervisory Committee is of the opinion that the transaction price is fair and reasonable. The Supervisory Committee is not aware of any insider dealing or of any situation prejudicial to the interests of shareholders or resulting in loss of assets of the Company.

Independent opinion of the Supervisory Committee on connected transactions of the Company

The Supervisory Committee is of the opinion that the connected transactions of the Company have been carried out in strict compliance with the principles of fairness, equality and openness under the mandatory decision-making procedures, the connected transactions carried out are in accordance with the requirements of the Listing Rules, and the disclosure of information is transparent. The Supervisory Committee is not aware of any act prejudicial to the interests of the Company.

Independent opinion of the Supervisory Committee on the self-assessment report on internal control of the Company

Having taken due care in the consideration of the assessment report on internal control of the Company by the Board, the Supervisory Committee is of the opinion that the internal control system of the Company is sound and effective and the assessment report has truthfully reflected the establishment and implementation of the internal control of the Company.

Independent opinion of the Supervisory Committee on the establishment and implementation of the measures on insider management

Having taken due care in the inspection of the establishment and implementation of the measures on insider management of the Company, the Supervisory Committee is of the opinion that the measures on insider registration is sound and effective and is able to keep all insider information confidential.

In 2012, the Supervisory Committee will continue to perform its duties with due care to protect the lawful interests of the Company and its shareholders in accordance with the "Company Law", the "Articles of Association" and the "Rules of Procedure of Supervisory Committee".

Material Litigation and Arbitration

As at the end of the reporting period, the Group was not involved in any material litigation or arbitration. As far as the Group was aware, the Group had no material litigation or claim which was pending or threatened against the Group. As at 31 December 2011, the Group was the defendant of certain non-material litigations, and also a party to certain litigations arising from the ordinary course of business. The likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained at present, but the management of the Group believes that, any possible legal liability which may be incurred from the aforesaid cases will not have any material adverse impact on the financial position of the Group.

Insolvency or Restructuring Related Matters

During the reporting period, the Group did not have any insolvency or restructuring related matters.

Equity Held by the Company in Other Listed Companies and Equity Investment in Financial Institutions as at the End of the Reporting Period

As at the end of the reporting period, the Company does not hold any equity in other listed companies and has no equity investment in financial institutions.

Relevant Conditions of Shenhua Finance Company

As of the end of the reporting period, the Company directly and indirectly holds 99.29% equity interest in Shenhua Finance Company. On 25 March 2011, the 12th meeting of the second session of the board of directors of China Shenhua resolved that (1) China Shenhua has no intention or plan to change the existing operation policies and strategies of Shenhua Finance Company ; and (2) any deposits placed by China Shenhua and its affiliated subsidiaries or branches with Shenhua Finance Company will only be used for credit operations of China Shenhua and its affiliated subsidiaries or branches and for deposits with the People's Bank of China and the top five commercial banks (namely Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank and Bank of Communications), and will not be used to invest in public/private market and properties, etc.

According to its board resolution, Shenhua Finance Company strictly implemented the above resolutions passed at the 12th meeting of the second session of the Board of China Shenhua during the reporting period after the completion of the acquisition and no violation of such resolutions had occurred.

Information of Shenhua Finance Company is as follows:

Board of Directors

The board of directors of Shenhua Finance Company comprises five directors, namely Dr. Ling Wen as chairman, Ms. Mei Xueyan as executive director and general manager, Mr. Che Jianming as executive director and deputy general manger and Mr. Xie Jianning and Mr. Xie Youquan as non-executive directors.

Each of the three executive directors has extensive experience in credit and risk management in large commercial banks. Dr. Ling Wen served as deputy general manger of the international business department of Industrial and Commercial Bank of China and deputy general manger of Industrial and Commercial Bank of China (Asia) Limited. He has extensive experience in management of financial institutions and enterprises, and led the design and development of credit risk management system of Industrial and Commercial Bank of China. Dr. Ling Wen, chairman of Shenhua Finance Company, is also the executive director and president of China Shenhua. Biographical details of Dr. Ling Wen are set out in the relevant section of this report.

Ms. Mei Xueyan, the executive director and general manager, has served as a director and general manager of Shenhua Finance Company since January 2005 and July 2006 respectively. Ms. Mei Xueyan had overseen capital planning, finance investment and internal control at the headquarters of China Construction Bank for eight years.

Mr. Che Jianming, the executive director and deputy general manager, has served as a director of Shenhua Finance Company since January 2005. Mr. Che Jianming had worked in China's investment bank for ten years, responsible for credit approval, project approval and assets management, etc. He had also taken up assets management in Zhongxing Trust & Investment Co., Ltd. for four years.

The two non-executive directors, namely Mr. Xie Jianning and Mr. Xie Youquan, participated in the decision-making process of the company by attending board meetings.

The board of directors of Shenhua Finance Company performs their duties in accordance with the "Articles of Association of Shenhua Finance Company Limited". Any resolutions proposed at the board meetings of Shenhua Finance Company require the consent of more than two-thirds of directors present at the meeting, at which one-half of all directors shall be present in person.

In the year 2011, the board of directors of Shenhua Finance Company held 6 meetings.

Post Balance Sheet Date Event: In January 2012, according to the resolution at the board meeting of Shenhua Finance Company, upon the approval of the Beijing Branch of China Banking Regulatory Commission, Hao Jianxin and Shao Xiaotong were elected as non-executives directors of Shenhua Finance Company, Ms. Zhang Donghui was appointed as employee director of Shenhua Finance Company and Mr. Xie Jianning and Mr. Xie Youquan ceased to be directors of Shenhua Finance Company.

Specialized Committees/Teams

The board of directors of Shenhua Finance Company has three specialized committees/teams, namely the Strategy Development and Investment Management Committee, Risk Management Team and Credit Approval Team.

1. Strategy Development and Investment Management Committee

The Strategy Development and Investment Management Committee was established on 25 August 2010, and comprises Dr. Ling Wen, Ms. Mei Xueyan and Mr. Che Jianming, with Dr. Ling Wen as the chairman.

The Strategy Development and Investment Management Committee operates in accordance with the "Rules on Work of the Strategy Development and Investment Management Committee of Shenhua Finance Company Limited". The major duties of the committee are:

(1) to study, formulate and propose to the board of directors the long term development strategies and outline plans for the medium and long term development of the Company;

(2) to oversee and evaluate the implementation of strategies and to advise thereon;

(3) to propose strategic adjustment in line with the changes in operating environment;

(4) to study and formulate related external investment systems and give advices and recommendations on major investment decisions (including fixed assets investment and financial and equity investment) of the Company;

(5) to study and formulate the merger and acquisition system and strategies and submit proposed plans (including targets of acquisition, methods of acquisition and restructuring etc.);

(6) to study and deal with any significant matters in connection to the strategic development of the Company.

In 2011, the Strategy Development and Investment Management Committee held 3 meetings in total.

2. Risk Management Team

The Risk Management Team was established on 7 September 2010, and comprises Ms. Na Shaoti (head of the team and chief controller of Shenhua Finance Company), Mr. Zhang Ying, Mr. Qu Jianzhong, Ms. Zhang Yanju and Mr. Zhang Zhecai. Members of the team have 7 to 13 years experience in financial industry, and are experienced in risk control of financial enterprises.

The Risk Management Team is accountable to and directly reports to the board of directors of Shenhua Finance Company. The Risk Management Team operates in accordance with the "Rules on Work of the Risk Management Team of Shenhua Finance Company Limited". The major duties of the team are:

(1) to review and revise the risk management system of the company in terms of the works based on its overall strategies, to oversee, evaluate and propose to the board of directors on the implementation and effectiveness of the system;

(2) to review and revise the rules, systems and standards of business risk management of the company in terms of the works and to review any other matters that require consideration of the Risk Management Team, and advise the board of directors thereon;

(3) to coordinate and supervise the compliance and implementation of each department on the resolutions approved at meetings of the Risk Management Team.

In the year 2011, the Risk Management Team held 7 meetings.

3. Credit Approval Team

The Credit Approval Team was established on 25 August 2010, and comprises Ms. Mei Xueyan, Mr. Che Jianming, Ms. Na Shaoti, Mr. Qu Jianzhong and Mr. Zhang Zhecai, with Ms. Mei Xueyan as the head of the team. Members of the team have 7 to 24 years experience in financial industry.

The Credit Approval Team operates in accordance with the "Rules on Work of the Credit Approval Team of Shenhua Finance Company Limited". The major duties of the team are:

(1) to review credit issues within their responsibility;

(2) to monitor the implementation of all credit issues by relevant departments upon approval.

In the year 2011, the Credit Approval Team held 22 meetings.

Risk Management and Internal Control

Shenhua Finance Company has set up the risk control objective of maintaining a low risk exposure to the assets and holding no non-performing assets, and it will promptly make adjustments to this objective in line with the development strategies and the operation of the company. Since its establishment, Shenhua Finance Company has been operating its businesses in a prudent way, and has never engaged in any business with high risks including real estate investment and outbound equity investment.

The Risk Management Team of Shenhua Finance Company is responsible for risk evaluation and internal control of the company, and the internal audit department is responsible for daily risk management and internal control.

Shenhua Finance Company has preliminarily established a sound and effective internal control system covering five major fields including general affairs, plan and capital, credit, finance and internal audit, by continuous establishment and optimization of various internal control systems and implementation of overall risk management. This ensures compliance of its operation with relevant rules, safety of its assets and truthfulness and completeness of its financial reports and relevant information. Shenhua Finance Company is gradually building its risk alarm system and establishing a systematic and comprehensive system for risk control through formulation of rules including the "Administration Measures for Compliance of Risk Management of Shenhua Finance Company Limited (Draft"), "Administration Measures for Duty Roster and Compulsory Vacation of Key Officers of Shenhua Finance Company Limited (Provisional)", "Administration Measures for Internal Audit of Shenhua Finance Company Limited" and "Emergency Plans of Shenhua Finance Company Limited",etc.

Major risks that Shenhua Finance Company may be exposed to include credit risk, operational risk, liquidity risk and compliance risk. Shenhua Finance Company has established strict operational process based on the nature of risks and defined clear risk control responsibility for all departments. In addition, Shenhua Finance oversees and reviews the effective implementation of risk control measures in a timely manner through daily off-site supervision, specific supervision and annual self-evaluation of internal control. In order to focus on credit risk control, Shenhua Finance has established strict procedures for credit approval and loans review. It also classifies loan qualities into five categories on a quarterly basis, and monitors the credit performance indicators irregularly, so as to obtain information of change in credit risk on a timely basis and adopt effective measures to diversify its credit portfolio to avoid risks.

In 2011, Shenhua Finance Company operated its business in strict compliance with laws to ensure the safety of operation of capital and continued to maintain no non-performing assets. After the inspection by the CBRC Beijing Branch, there were no unlawful events or breach of regulations. All indicators including capital adequacy ratio, non-performing loan ratio, current ratio and loan-to-deposit ratio of the company met the regulatory requirements. According to the statistical data of China National Association of Finance Companies, Shenhua Finance Company's profit per capita in 2011 ranked first among 118 finance companies in the PRC.

Deposits and Borrowings

1. Total deposits and borrowings

	As at 31 December 2011	As at 31 December 2010	Change
	RMB million	RMB million	%
Balance of deposits	**20,650.62**	15,227.58	35.61
Balance of borrowings (including discounted notes)	**10,216.09**	8,255.67	23.75
Of which: balance of guaranteed borrowings (including discounted notes)	**1,933.89**	4,028.37	(51.99)

2. Balance of deposits and borrowings of the top ten customers

(1) Balance of deposits of the top ten customers

No.	Name of customer	As at 31 December 2011	Change in 2011
		RMB million	RMB million
1	Shenhua Group Corporation Limited	**8,098.57**	(885.84)
2	China Shenhua Energy Company Limited	**4,984.81**	3,392.54
3	China Shenhua Coal Liquefaction and Chemical Co Ltd.	**1,167.18**	534.35
4	Shenhua Ningxia Coal Industry Group Co., Ltd.	**1,159.12**	403.01
5	Shenhua Science and Technology Developing Co., Ltd.	**960.60**	960.60
6	Shenhua Wuhai Energy Company Limited	**861.29**	565.10
7	Shenhua Coal Trading Company Limited	**805.46**	377.21
8	Shenhua International Trading Co Ltd.	**644.92**	(133.22)
9	Shenhua Group Baotou Mining Co., Ltd.	**462.99**	389.07
10	Guohua Energy Investment Co Ltd.	**449.33**	105.91

(2) Balance of borrowings of the top ten customers

No.	Name of customer	As at 31 December 2011	Change in 2011
		RMB million	RMB million
1	Shenhua Shendong Power Co., Ltd.	**1,727.00**	580.00
2	Shaanxi Shenyan Coal Co., Ltd.	**1,465.00**	1,465.00
3	Shenhua Ningxia Coal Industry Group Co., Ltd.	**1,400.00**	1,400.00
4	Shenhua Mengxi Coal Chemical Company Limited	**1,297.22**	(117.68)
5	Guohua Energy Investment Co Ltd.	**1,000.00**	1,000.00
6	Inner Mongolia Guohua Hulunbeier Power Generation Co Ltd.	**594.20**	284.40
7	Shenhua Wuhai Energy Company Limited	**426.67**	(2,032.79)
8	Shenhua Hangjin Energy Company Limited	**400.00**	–
9	Shenhua Baorixile Energy Industrial Co., Ltd.	**350.00**	(50.00)
10	Ningxia Guohua Ningdong Power Generation Co., Ltd.	**322.00**	122.00

3. Approval of borrowings in 2011

Items	2011
	RMB million
Amount of contracted borrowings	16,999.68
Amount of granted borrowings (including discounted assets) [Note]	8,415.89
Of which: Amount of guaranteed borrowings (including discounted assets) [Note]	933.89
Amount of rejected borrowings	–

Note: The amount of granted borrowings refers to the balance of borrowings granted in 2011 on 31 December 2011, in connection with the borrowings contracts signed that year.

Assets Transaction

Please refer to the section headed "Material Connected Transactions" for details.

Details of the Implementation of the Equity Incentive Plan

During the reporting period, the Company did not implement any equity incentive plan which would involve the issue of new shares of the Company or which would have an impact on the shareholding structure of the Company.

Material Related Party Transactions

Summary of the management of related party transactions

Pursuant to the requirements under the Guidelines of Shanghai Stock Exchange on Related Party Transactions of Listed Companies, the Audit Committee of the Board of the Company shall perform the duties of control and daily management of related party transactions of listed companies. The Company has a related party transaction team under the direct leadership of the Chief Financial Officer, which is responsible for the management of related party transactions; and has established a business process, which properly delineates the responsibilities of the Company, its subsidiaries and branches in the management of related party transactions. The team has also established routine examinations, reporting systems and accountability system in the subsidiaries and branches of the Company. Currently, the Company formulated the "Related Party Transactions Decision Making Systems of China Shenhua Energy Company Limited", "Measures on the Management of Related Party Transactions of China Shenhua Energy Company Limited" and "Application and Reporting Requirements for Related Party Transactions of China Shenhua Energy Company Limited" to regulate and strengthen the management of related party transactions of the Company.

Material connected transactions

Major connected transactions and continuing connected transactions of the Group in 2011 are set out below:

I. Non-competition agreement

The Company entered into a non-competition agreement with Shenhua Group Corporation on 24 May 2005. Pursuant to this agreement, Shenhua Group Corporation agreed not to compete with the Group with respect to the core businesses of the Group and granted to the Group the options and pre-emptive rights to acquire the businesses retained by Shenhua Group Corporation and certain future businesses from Shenhua Group Corporation.

During the reporting period, the options and pre-emptive rights executed by the Company under the above agreement are as follows:

Matter: the acquisitions of 51% equity interest in Zhoushan Langxi Power Generation Co., Ltd.

On 16 August 2011, Shenhua Group Corporation issued the Notice on Matters Related to the Acquisition of Equity Interest in Zhoushan Langxi Power Generation Co., Ltd. to the Company; On 30 August 2011, the Company issued the Reply Letter on Matters Related to the Temporary Not Acquiring of Equity Interest in Zhoushan Langxi Power Generation Co., Ltd. by China Shenhua Energy Company Limited to Shenhua Group Corporation.

Three of the independent non-executive directors of the Company expressed their independent opinion by approving the Company's decision in suspending the acquisition of the equity interest of Zhoushan Langxi Power Generation Co., Ltd.

II. The new or revised non-exempt connected transactions and continuing connected transactions approved during the reporting period

(I) Non-exempt connected transactions

On 25 February 2011, the Company's acquisition of the equity interests or assets of 10 subsidiaries engaged in coal, power and related businesses ("Target Companies") directly or indirectly held by the parent of the Comapny, Shenhua Group Corporation, and its subsidiaries was approved at the 2011 First Extraordinary General Meeting of the Company. Details are set out in the Announcement on the Resolutions of the 2011 First Extraordinary General Meeting of China Shenhua Energy Company Limited (Lin 2011-005) dated 26 February 2011 disclosed by the Company on the Shanghai Stock Exchange. As of the end of the reporting period, the abovementioned acquisitions had completed. Details of the transactions are as follows:

1. All the transactions were settled in cash. The pricing principles for the assets acquired were determined based on the valuation which had been filed, subject to certain price adjustments items;

2. Explanation on the discrepancy between the transaction price and the valuation: a. the consideration for the transfer of the target equity is equal to the valuation of the target equity less the accumulated profit allocated to the transferor; or b. the consideration for the transfer of the target equity is equal to the valuation of the equity in the target company held by the transferor on the reference date of the valuation plus the additional capital injected by the shareholders of the target company;

3. Related relationship: Shenhua Group Corporation is a legal person which directly or indirectly controlled the listed company; all of the other transaction parties are legal persons directly or indirectly controlled by Shenhua Group Corporation (other than the listed company and its controlled subsidiaries).

Other information about the transaction is as follows:

No.	Counterparty or its ultimate controller	Transaction	Valuation as at the end of 30 June 2010	Price of assets acquisition
			RMB million	RMB million
1	Shenhua Group Corporation	56.61% equity interest in Shenbao Energy Company	2,451.9	2,409.2
2	Guohua Energy	80% equity interest in Guohua Hulunbeier Power Note	484.7	733.7
3	International Trading Comapny	39.10% equity interest in Clean Coal Company	55.9	55.9
	Shen Bao Energy Company	21% equity interest in Clean Coal Company		
4	Guohua Energy	80% equity interest in Chaijiagou Mining	521.0	448.8
	Jihua Industry	15% equity interest in Chaijiagou Mining		
5	Shenhua Group Corporation	39.29% equity interest in Shenhua Finance Company	1,206.4	1,035.9
	Guohua Energy	12.86% equity interest in Shenhua Finance Company		
	Coal Liquefaction Company	7.14% equity interest in Shenhua Finance Company		
6	Shenhua Group Corporation	98.71% equity interest in Material Company	628.3	527.7
	International Trading Comapny	1.29% equity interest in Material Company		
7	Shenhua Group Corporation	100% equity interest in Tianhong Company	330.3	330.3
8	Shenhua Group Corporation	80% equity interest in Information Company	67.4	67.4
9	Shenhua Group Corporation	100% equity interest in Beiyao Company	23.8	23.8
10	Baotou Mining	Major operating assets and related liabilities in Baotou Mining	3,069.4	3,069.4
	Total	–	8,839.1	8,702.1

Note: The valuation of Guohua Hulunbeier Power's 77.46% equity interest as at 30 June 2010 (reference date of the valuation) was RMB484.7 million; subsequent to the reference date of the valuation, Guohua Power increased its equity interest in Guohua Hulunbeier Power to 80% by capital contribution. The Company's acquisition target is the 80% equity interest of Guohua Hulunbeier Power held by Guohua Power.

Please refer to the "Announcement of China Shenhua Energy Company Limited's Assets Acquisition and Connected Transactions (Lin 2010-043)" dated 21 December 2010 for details.

According to the valuation made on 30 June 2010, the Company has paid the acquisition consideration of RMB8.702 billion during the reporting period. Such consideration will be further adjusted in accordance with the value of equity being acquired and the assets on the completion date. The negotiated adjustment of the acquisition consideration amounted to RMB1.614 billion.

The operations of the acquired assets above during the reporting period are as follows:

Operational		**2011**	2010	Percentage change %
Commercial coal production	million tonnes	**30.2**	20.8	45.2
Shen Bao Energy Company	million tonnes	**26.2**	17.4	50.6
Baotou Energy Company	million tonnes	**3.0**	2.3	30.4
Chaijiagou Mining	million tonnes	**1.0**	1.1	(9.1)
Sales volume of commercial coal	million tonnes	**27.6**	19.8	39.4
Shen Bao Energy Company	million tonnes	**26.0**	17.4	49.4
Baotou Energy Company	million tonnes	**0.4**	1.4	(71.4)
Chaijiagou Mining	million tonnes	**1.2**	1.0	20.0
Power generation	100 million kwh	**54.3**	3.1	1,651.6
Guohua Hulunbeier Power	100 million kwh	**54.3**	3.1	1,651.6
Power output dispatch	100 million kwh	**48.6**	2.8	1,635.7
Guohua Hulunbeier Power	100 million kwh	**48.6**	2.8	1,635.7

No.	**Company**	**For the year ended 31 December**				**Percentage change**
		2011		2010		
		Net profit/ (loss)	**Percentage to the consolidated net profit of the Group**	Net profit/ (loss)	Percentage to the consolidated net profit of the Group	
		RMB million	**%**	RMB million	%	%
1	Shen Bao Energy Company	**664**	**1.29**	402	0.93	65.2
2	Guohua Hulunbeier Power	**74**	**0.14**	(29)	(0.07)	N/A
3	Clean Coal Company	**(5)**	**(0.01)**	(6)	(0.01)	(16.7)
4	Chaijiagou Company	**113**	**0.22**	112	0.26	0.9
5	Material Company	**78**	**0.15**	44	0.10	77.3
6	Tianhong Company	**6**	**0.01**	120	0.27	(95.0)
7	Information Company	**4**	**0.01**	0	0.00	N/A
8	Beiyao Company	**2**	**0.01**	(23)	(0.05)	N/A
9	Shenhua Finance	**595**	**1.16**	296	0.68	101.0
10	Baotou Energy Company	**125**	**0.24**	77	0.18	62.3
11	Total	**1,656**	**3.22**	993	2.29	66.8

Note: 1. The financial information in the above table was prepared in accordance with the Accounting Standards for Business Enterprises. Please refer to the paragraph headed "2. Business combination under common control for the year" under note 4 "Business combination under common control" of the 2011 financial statements prepared by the Company in accordance with the Accounting Standards for Business Enterprise for details.

2. Net profit refers to net profit attributable to the owners of parent.

(II) Non-exempt continuing connected transactions

The 2011 annual caps of the continuing connected transactions were revised by the Company as follows:

The 19th Meeting of the 2nd Session of Board of Directors held by the Company on 28 October 2011 considered and approved the "Resolution on increasing the 2011 cap on the connected transactions in relation to the supply of coal to Shenhua Group Company". The Group agreed to increase the 2011 annual transaction cap in connection with the supply of of various kinds of coal to Shenhua Group pursuant to the Mutual Coal Supply Agreement from RMB6.6 billion to RMB7.6 billion; the caps of the transactions under the Mutual Coal Supply Agreement were not adjusted. For the details of the transaction, please refer to the Regular Related Party Transactions Announcement (Lin 2011-043) dated 29 October 2011.

III. Major continuing connected transactions of the Company

Matters in relation to the major continuing connected transactions of the Company:

1. The entering of the Mutual Supply of Products and Services Agreement and the Mutual Coal Supply Agreement between the Company and Shenhua Group are for the following purpose: During the restructuring of the Company in 2004, Shenhua Group injected to the Company the principal businesses previously controlled by Shenhua Group and its subsidiaries and divisions and the relevant assets, liabilities and/or owner's equities. Subsequent to the restructuring, the businesses Shenhua Group retained control of included ancillary production service, resources supply, a portion of its power generation business, coal mining, processing, sales and export, as well as secondary businesses such as financial servicing, and the relevant assets, liabilities and owner's equities. Upon the completion of the restructuring, the Group and Shenhua Group continued their mutual provision of coal, other products and services. The parties and their respective subsidiaries and divisions had gathered extensive experience from their long-standing co-operation prior to the restructuring, hence, the foregoing transactions can ensure a reliable, quality-assured provision of materials and services for the Company, lower operation risks and costs which benefit the ordinary production and operation of the Company.

2. The Company agreed to use the service provided by Taiyuan Railway Bureau to ensure a consistent coal transportation service, improve the competitiveness of the Group's coal-selling business and generate higher economic return for the Group.

3. The connected transactions which include the selling of coal to China Datang, Jinneng Investment and Jiangsu Guoxin were made in the ordinary course of business of the Company, on normal commercial terms and in the interest of the Company.

4. The Company procure coal from Shaanxi Coal Transportation to ensure future supply to meet the Group's coal demand, expand the Group's power generation business, improve competitiveness and generate higher economic return for the Group.

Major continuing connected transactions of the Company during the reporting period are set out below:

(I) "Mutual Supply of Products and Services Agreement" entered into with Shenhua Group Corporation

After the restructuring of Shenhua Group, the establishment of the Company and the offering and listing of H shares of the Company on the Hong Kong Stock Exchange, Shenhua Group retains part of its assets and businesses and provides several products and ancillary services for the core business of the Company. Furthermore, the Company also provides certain products and services to Shenhua Group to support the development of the business retained by Shenhua Group. The Company entered into the Mutual Supply of Products and Services Agreement with Shenhua Group Corporation on 24 May 2005. Shenhua Group Corporation is the controlling shareholder of the Company and thus Shenhua Group Corporation and its subsidiaries are connected persons of the Company under the Hong Kong Listing Rules. Accordingly, the "Mutual Supply of Products and Services Agreement" entered into with Shenhua Group Corporation and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The above transactions constituted regular related party transactions of the Company under the Shanghai Listing Rules.

The principal terms of the "Mutual Supply of Products and Services Agreement" are as follows:

1. The agreement took effect on 1 January 2005 and the term was 3 years, which may be extended if agreed by both parties. Shenhua Group Corporation renewed the agreement with the Company in 2007 and 2010 respectively and extended the term to the end of 2013. The renewal of the agreement has been approved at the annual general meeting of the Company held on 18 June 2010 and this matter has been published on the websites of the Hong Kong Stock Exchange and Shanghai Stock Exchange;

2. Shenhua Group and the Company will provide free services to each other regarding the use of hardware facilities of information system;

3. Products and services provided by Shenhua Group to the Company include services assisting business operations and administrative management such as supply of refined oil and explosive materials for civil use and provision of security service and logistics support; the products and services provided by the Company to Shenhua Group include water supply, management of vehicles, railway transportation and other related or similar products and services; and

4. The principle of pricing policy for the provision of products and services: price prescribed by the state should apply if applicable; when there is no state-prescribed price but there is a state-guidance price, then the state-guidance price should apply; where there is neither a state-prescribed price nor a state-guidance price, the market price (including bidding price) should apply; where none of the above is applicable or where it is not practical to apply the above pricing policies in the relevant transactions, the price shall be the contractual price (i.e. the costs incurred + a profit margin of 5% of such costs).

For the year ended 31 December 2011, (1) the 2011 annual cap of expenditures arising from the provision of production materials and ancillary services by Shenhua Group to the Company was RMB5,500.00 million. The actual amount of expenditure was RMB4,106.02 million. The settlement was made by cash; (2) the 2011 annual cap of income arising from the provision of production materials and ancillary services by the Company to Shenhua Group was RMB4,600.00 million. The actual amount of income was RMB1,178.49 million. The settlement was made by cash.

(II) "Mutual Coal Supply Agreement" entered into with Shenhua Group Corporation

The Company purchases some coal from the subsidiaries of Shenhua Group such as the Xisanju Company, to satisfy the need for coal blending and other requirements. The Company also sells small quantity of coal to certain subsidiaries of Shenhua Group that engage in coal trading. The Company and Shenhua Group Corporation entered into the "Mutual Coal Supply Agreement" on 24 May 2005. Shenhua Group Corporation is the controlling shareholder of the Company and thus Shenhua Group and its subsidiaries are connected persons of the Company under the Hong Kong Listing Rules. Accordingly, the "Mutual Coal Supply Agreement" entered into with Shenhua Group Corporation and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The above transactions constituted regular related party transactions of the Company under the Shanghai Listing Rules.

The principal terms of the "Mutual Coal Supply Agreement" are as follows:

1. The agreement took effect on 1 January 2005 and the term was 3 years, which may be extended if agreed by both parties. Shenhua Group Corporation renewed the agreement with the Company in 2007 and 2010 respectively and extended the term to the end of 2013. The renewal of the agreement has been approved at the annual general meeting of the Company held on 18 June 2010 and this matter has been published on the websites of the Hong Kong Stock Exchange and Shanghai Stock Exchange;

2. Market price will be adopted for the mutual supply of coal; and

3. Priority will be given to each other when one party purchases coal products from the other party unless the terms of sale provided by a third party are more favorable.

For the year ended 31 December 2011, (1) the 2011 annual cap of expenditures arising from the provision of coal by Shenhua Group to the Company was RMB11,000.00 million. The actual amount of expenditure was RMB2,100.13 million. The settlement was made by cash; (2) the 2011 annual cap of income arising from the purchase of coal by Shenhua Group from the Group was RMB7,600.00 million. The actual amount of income was RMB5,882.69 million. The settlement was made by cash.

(III) "Financial Services Agreement" with Shenhua Group Corporation

On 20 December 2010, the Company entered into the "Financial Services Agreement" with Shenhua Group Corporation in relation to matters regarding the provision of financial services from Shenhua Finance Company to Shenhua Group and its subsidiaries (excluding the Company and its subsidiaries) upon completing the transfer of equity interest of Shenhua Finance Company. Shenhua Group Corporation is the Company's controlling shareholder and thus a connected person of the Company under the Hong Kong Listing Rules. Shenhua Group Corporation is a related party of the Company under the Shanghai Listing Rules.

The principal terms of the "Financial Services Agreement" are as follows:

1. The agreement was effective from 1 January 2011 to 31 December 2013 and was approved at the 2011 first extraordinary general meeting of the Company held on 25 February 2011. This matter has been published on the websites of the Hong Kong Stock Exchange and Shanghai Stock Exchange;

2. Shenhua Finance Company provides various financial services to Shenhua Group and its subsidiaries (excluding the Company and its subsidiaries), including accepting money deposit, handling bill acceptance and discount services, providing guarantee, handling entrusted loan and entrusted investment, etc;

3. The interest rate for deposits placed by Shenhua Group and its subsidiaries with Shenhua Finance Company shall not be lower than the lowest rate allowed by the PBOC for the same type of deposit; in addition to the above, the interest rate shall be determined by reference to the rate payable by normal commercial banks for comparable deposits and shall be determined on normal commercial terms. The interest rate for loans provided by Shenhua Finance Company to Shenhua Group and its subsidiaries shall not be higher than the highest rate allowed by the PBOC for the same type of loan; in addition to the above, the interest rate shall be determined by reference to the rate receivable by normal commercial banks for comparable loans and shall be determined on normal commercial terms; and

4. Shenhua Finance Company may provide paid finance leasing services, bill acceptance or discount services, letter of credit services, guarantee services, online banking services and other related services to Shenhua Group and its subsidiaries. The fees receivable by Shenhua Finance Company for the provision of the above financial services to Shenhua Group and its subsidiaries shall comply with the relevant requirements on fees standard (if any) stipulated by the PBOC or CBRC; in addition to the above, the fees shall be determined by reference to the fees receivable by normal commercial banks for comparable financial services and shall be determined on normal commercial terms.

Since the Company acquired Shenhua Finance Company and completed the transaction, for the year ended 31 December 2011, (hereinafter referred to as the "period"), the cap on transaction amount of financial services under the "Financial Services Agreement" and its status during the period are as follows:

(a) The annual cap on the amount of guarantee provided by Shenhua Finance Company to Shenhua Group and its subsidiaries (other than the Company and its subsidiaries) for the year 2011 shall not exceed RMB2,500.00 million. The actual amount for the guarantee provided was zero;

(b) The annual cap on the amount of bill acceptance and discount provided by Shenhua Finance Company to Shenhua Group and its subsidiaries (other than the Company and its subsidiaries) for the year 2011 shall not exceed RMB9,000.00 million. The actual amount for bill acceptance and discount processed was RMB3,896.38 million;

(c) The cap on the daily balance (including interest accrued thereon) of deposits placed by Shenhua Group and its subsidiaries (other than the Company and its subsidiaries) with Shenhua Finance Company for the year 2011 shall not exceed RMB35,000.00 million. The daily deposit balance (including interest accrued thereon) was RMB33,593.70 million;

(d) The cap on the balance of loans, consumer credit facilities, buyer's credit and financial leasing (including interests accrued thereon) at any one point of time for the year 2011 provided by Shenhua Finance Company to Shenhua Group and its subsidiaries (other than the Company and its subsidiaries) shall not exceed RMB24,000.00 million. The actual maximum balance was RMB7,030.52 million;

(e) The cap on the balance of entrustment loans (including interests accrued thereon) at any one point of time for the year 2011 provided by Shenhua Finance Company to Shenhua Group and its subsidiaries (other than the Company and its subsidiaries) shall not exceed RMB80,000.00 million. The actual maximum balance was RMB55,566.47 million;

(f) Shenhua Group and its subsidiaries (other than the Company and its subsidiaries) may provide, at the request of the Company and/or the Company's subsidiaries and through Shenhua Finance Company, entrustment loans to the Company and/or the Company's subsidiaries on normal commercial terms and on the condition that no collateral is required for such entrustment loans. The caps on the total amount of interest payable by the Company and/or the Company's subsidiaries to Shenhua Group and its subsidiaries in respect of the said entrustment loans shall not exceed RMB70.00 million for the year 2011. The actual total amount of interest payable was RMB14.13 million.

(IV) "Coal Supply Framework Agreement" entered into with Jiangsu Guoxin Asset Management Group Company Limited ("Jiangsu Guoxin")

In order to standardize and enhance central monitoring of its contractual relationships, the Company has sought to enter into framework agreements with customers which are part of a single corporate group. The Company entered into the "Coal Supply Framework Agreement" with Jiangsu Guoxin (on behalf of itself and its subsidiaries and associates, collectively, "Jiangsu Guoxin Group") on 21 August 2007. The Company established Jiangsu Guohua Chenjiagang Power Company Limited ("Chenjiagang Power") with Jiangsu Guoxin on 21 December 2007. The Company holds 55% equity in Chenjiagang Power and Jiangsu Guoxin holds the remaining 45% equity thereof. Under the Hong Kong Listing Rules, Jiangsu Guoxin is a substantial shareholder of the Company's subsidiary and thus a connected person of the Company, and members of Jiangsu Guoxin Group are also connected persons of the Company. Since then, the transactions between the Company and Jiangsu Guoxin Group constitute connected transactions of the Company.

The principal terms of "Coal Supply Framework Agreement" are as follows:

1. The term of the agreement was 4 years commencing from 21 August 2007 to 20 August 2011. Jiangsu Guoxin renewed the agreement with the Company in 2010 and extended the term to the end of 2013. The renewal of the agreement has been approved at the annual general meeting of the Company held on 18 June 2010 and this matter has been published on the websites of the Hong Kong Stock Exchange and Shanghai Stock Exchange; and

2. The Company sells coal to Jiangsu Guoxin Group. The sales prices are specified in the sales contracts.

For the year ended 31 December 2011, the maximum amount of receivable for the sales of coal by the Company to Jiangsu Guoxin Group under the "Coal Supply Framework Agreement" was RMB3,500.00 million. The actual amount was RMB2,514.37 million. The settlement was made by cash.

(V) "Coal Supply Framework Agreement" entered into with Jinneng Investment

In order to standardize and enhance central monitoring of its contractual relationships, the Company has sought to enter into framework agreements with customers which are part of a single corporate group. The Company entered into the "Coal Supply Framework Agreement" with Jinneng Investment (on behalf of itself, its subsidiaries and associates, collectively, "Jinneng Investment Group") on 20 September 2007. The Company established Tianjin Guohua Jinneng with Jinneng Investment on 21 December 2007. The Company holds 65% equity interest in Tianjin Guohua Jinneng while Jinneng Investment holds the remaining 35% equity thereof. Jinneng Investment is a substantial shareholder of the Company's subsidiary and therefore Jinneng Investment Group is a connected person of the Company under the Hong Kong Listing Rules. Since then, transactions between the Company and Jinneng Investment Group constitute connected transactions of the Company.

The principal terms of "Coal Supply Framework Agreement" are as follows:

1. The term of the agreement commences from the date of execution to 31 December 2010. Jinneng Investment renewed the agreement with the Company in 2010 and extended the term to the end of 2013. The renewal of the agreement has been approved at the annual general meeting of the Company held on 18 June 2010 and this matter has been published on the websites of the Hong Kong Stock Exchange and Shanghai Stock Exchange; and

2. The prices for sale of coal under this framework agreement will be determined on the basis of the market prices, namely, the prices charged by an independent third party for the supply of coal of the same grade based on the normal commercial terms concluded on the normal commercial conditions in the same region or its vicinity, or the price of coal of the same grade supplied to or purchased from an independent third party by the parties separately based on the normal commercial terms concluded on the normal commercial conditions.

For the year ended 31 December 2011, the maximum amount of receivable for the sales of coal by the Company to Jinneng Investment Group under the Coal Supply Framework Agreement was RMB4,100.00 million. The actual amount was approximately RMB1,347.66 million. The settlement was made by cash.

(VI) "Coal Supply Framework Agreement" entered into with China Datang Corporation

In order to standardize and enhance central monitoring of its contractual relationships, the Company has sought to enter into framework agreements with customers which are part of a single corporate group. The Company entered into the "Coal Supply Framework Agreement" with China Datang Corporation ("Datang Corporation") (on behalf of itself, its subsidiaries and associates, collectively "Datang Group") on 25 September 2007. Dingzhou Power became a subsidiary of the Company on 29 December 2007. Hebei Datang Generation Limited ("Hebei Fadian"), a wholly owned subsidiary of Datang Group, also acquired 19% equity interest in Dingzhou Power on the same day, therefore the transactions between the Company and Datang Group constitute connected transactions of the Company since then.

The principal terms of "Coal Supply Framework Agreement" are as follows:

1. The term of the agreement commences from the date of execution to 31 December 2010. China Datang Corporation renewed the agreement with the Company in 2010 and extended the term to the end of 2013. The renewal of the agreement was approved at the annual general meeting of the Company held on 18 June 2010 and this matter has been published on the websites of the Hong Kong Stock Exchange and Shanghai Stock Exchange; and

2. The prices for sale of coal under this framework agreement will be determined on the basis of the market prices, namely, the prices charged by an independent third party for the supply of coal of the same grade based on the normal commercial terms concluded on the normal commercial conditions in the same region or its vicinity, or the price of coal of the same grade supplied to or purchased from an independent third party by the parties separately based on the normal commercial terms concluded on the normal commercial conditions.

Hebei Fadian is a substantial shareholder of a subsidiary of the Company, and therefore members of Datang Group including Datang Corporation (the controlling shareholder of Hebei Fadian) are connected persons of the Company under the Hong Kong Listing Rules.

For the year ended 31 December 2011, the maximum amount of receivable for the sales of coal by the Company to Datang Group under the Coal Supply Framework Agreement was RMB4,300.00 million. The actual amount was RMB4,019.92 million. The settlement was made by cash.

(VII) "Coal Supply Framework Agreement" entered into with Shaanxi Province Coal Transportation and Sales (Group) Co Ltd. ("Shaanxi Coal Transportation")

In order to standardize and enhance central monitoring of its contractual relationships, the Company has sought to enter into framework agreements with customers which are part of a single corporate group. The Company entered into the "Coal Supply Framework Agreement" with Shaanxi Coal Transportation (on behalf of itself and its subsidiaries) on 27 March 2009. On 28 March 2008, the Company and Shaanxi Coal Chemical Group Fugu Energy Investment Co Ltd ("Fugu Energy") established Yulin Shenhua Energy Co., Ltd., which is held by the Company and Fugu Energy as to 50.1% and 49.9% respectively. Fugu Energy is a substantial shareholder of the Company's subsidiary and therefore a connected person of the Company under the Hong Kong Listing Rules. Shaanxi Coal Chemical Group Co Ltd holds approximately 57% of Fugu Energy and 100% of Shaanxi Coal Transportation. Shaanxi Coal Transportation is therefore an associate of Fugu Energy and a connected person of the Company under the Hong Kong Listing Rules. Since then, the transactions between the Company and Shaanxi Coal Transportation and its subsidiaries constitute connected transactions of the Company.

The principal terms of "Coal Supply Framework Agreement" are as follows:

1. The term of the agreement commences from the date of execution to 31 December 2010. Shaanxi Coal Transportation renewed the agreement with the Company in 2010 and extended the term to the end of 2013. The renewal of the agreement was approved at the annual general meeting of the Company held on 18 June 2010 and this matter has been published on the websites of the Hong Kong Stock Exchange and Shanghai Stock Exchange; and

2. The prices for sale of coal under this framework agreement will be determined through negotiation with reference to the prevailing market prices; with reference to the unit price charged by Shaanxi Coal Transportation and the Company to power generation enterprises in respect of coal supply.

For the year ended 31 December 2011, the annual cap of expenditures arising from the purchase of coal by the Company from Shaanxi Coal Transportation and its subsidiaries under the "Coal Supply Framework Agreement" was RMB6,000.00 million. The actual amount was approximately RMB5,120.08 million. The settlement was made by cash.

(VIII) "Transportation Service Framework Agreement" entered into with Taiyuan Railway Bureau

On 18 December 2009, the Company has entered into the "Transportation Service Framework Agreement" with Taiyuan Railway Bureau (on behalf of itself and its subsidiaries). On 23 September 2009, China Railway Construction Investment Corporation transferred its 41.2% equity interest in Shuohuang Railway (a subsidiary of the Company) to Taiyuan Railway Bureau. Taiyuan Railway Bureau therefore became a substantial shareholder of Shuohuang Railway and a connected person of the Company under the Hong Kong Listing Rules on 23 September 2009. Since then, the transactions between the Company and Taiyuan Railway Bureau and its subsidiaries constitute connected transactions of the Company.

The principal terms of the "Transportation Service Framework Agreement" are as follows:

1. The term of the agreement commences from the date of execution to 31 December 2010. Taiyuan Railway Bureau renewed the agreement with the Company in 2010 and extended the term to the end of 2013. The renewal of the agreement was approved at the annual general meeting of the Company held on 18 June 2010 and this matter has been published on the websites of the Hong Kong Stock Exchange and Shanghai Stock Exchange; and

2. Under the "Transportation Service Framework Agreement", the transportation fees payable by the Group will be determined based on the following pricing policies: (a) price prescribed by the state, if applicable; (b) when there is no state-prescribed price but there is a state-guidance price, then the state-guidance price; and (c) where there is neither a state-prescribed price nor a state-guidance price, the market price.

For the year ended 31 December 2011, the maximum amount of payment for the provision of transportation services by Taiyuan Railway Bureau, its subsidiaries and its associates to the Company under the "Transportation Service Framework Agreement" was RMB8,100.00 million. The actual amount was approximately RMB3,879.23 million. The settlement was made by cash.

IV. Opinion of independent directors on non-exempt continuing connected transactions

The Independent Non-executive Directors of the Company have confirmed to the Board of the Company that they have reviewed the non-exempt continuing connected transactions and are of the view that:

1. those transactions were in the ordinary course of business of the Group;

2. those transactions were on ordinary commercial terms, or if comparable transactions were not sufficient to judge whether the terms of those transactions were ordinary commercial terms, then in relation to the Group, those transactions were on terms no less favorable than the terms obtained from or provided (as the case may be) by independent third party; and

3. those transactions were conducted on the terms of the relevant transactions and the terms of the transactions were fair and reasonable and in the interest of the shareholders of the Company as a whole.

V. Opinion of auditors on non-exempt continuing connected transactions

KPMG, the auditors of the Company, have reviewed the continuing connected transactions I to VIII above and issued letters to the Board, indicating that:

1. they were not aware of any matter for which they would consider that the continuing connected transactions I to VIII above had not been approved by the Board;

2. regarding the relevant continuing connected transactions I to VIII above for which the Group provided goods or services, they were not aware of any matter for which they would consider that those transactions were not proceeded in accordance with the Company's pricing policy in all material aspects;

3. they were not aware of any matters for which they would consider that the continuing connected transactions I to VIII above were not proceeded pursuant to the terms of relevant agreements in all material aspects; and

4. regarding the continuing connected transactions I to VIII above, they were not aware of any matters for which they would consider that the total amount of those transactions for the year ended 31 December 2011 exceeded the annual cap amount as disclosed in the announcement of the continuing connected transaction.

Certain related party transactions as disclosed in note 37 of the Financial Statements prepared under IFRSs also constituted connected transactions under the Hong Kong Listing Rules required to be disclosed in accordance with Chapter 14A of the Hong Kong Listing Rules. The Company has complied with the disclosure requirements of Chapter 14A of the Hong Kong Listing Rules in respect of the above connected transactions and continuing connected transactions.

Related party transactions relevant to the daily operations

In accordance with the relevant requirements of securities regulatory authorities of the PRC, the status of related party transactions agreements to the daily operations of the Group as at the end of the reporting period is set out in the table below. For details of the agreements, please refer to the Company's prospectus for initial public offering of A shares and this chapter.

The total amount of related party transactions for sale of products and provision of services by the Group to Shenhua Group Corporation and its subsidiaries during the reporting period amounted to RMB7,087.94 million.

No.	Execution basis	Provision of products and services by the Group to related parties and other inflows		Purchase of products and services from related parties by the Group and other outflows	
		Amount of transactions	Percentage of amount to similar transactions	Amount of transactions	Percentage of amount to similar transactions
		RMB million	%	RMB million	%
1	Mutual Coal Supply Agreement between Shenhua Group Corporation Limited and China Shenhua Energy Company Limited	5,882.69	4.2	2,100.13	4.6
2	Mutual Supply of Products and Services Agreement between Shenhua Group Corporation Limited and China Shenhua Energy Company Limited	1,178.49	15.2	4,106.02	4.8
	Including: (1) Products	299.02	17.7	4,044.47	6.6
	(2) Services	879.47	14.5	61.55	0.3
3	Coal Agency Sales Agreement among Shenhua Group Corporation Limited, China Shenhua Energy Company Limited and Xisanju Company of Inner Mongolia Shenhua Coal Transportation & Sales Company Limited	26.76	100.0	–	–
4	Coal Agency Export Agreement between Shenhua Group Corporation Limited and China Shenhua Energy Company Limited	–	–	32.64	100.0
5	Agreement on Lease of Land Use Right between Shenhua Group Corporation Limited and China Shenhua Energy Company Limited	–	–	–	–
6	Agreement on Property Leasing between Shenhua Group Corporation Limited and China Shenhua Energy Company Limited	–	–	21.58	4.8

On 25 February 2011, the 2011 first extraordinary general meeting of the Company considered and approved the following: the Financial Services Agreement entered into by the Company and Shenhua Group on 20 December 2010 that shall be effective from 1 January 2011 to 31 December 2013. The implementation of the agreement above is set out in the table below:

No.	Execution basis	Status	Percentage of similar transactions
		RMB million	%
1	Agreement on Financial Service between China Shenhua Energy Company Limited and Shenhua Group Corporation Limited		
	(1) annual total amount of guarantee provided by Shenhua Finance Company to Shenhua Group and its subsidiaries (except for the Company and its subsidiaries)	–	–
	(2) annual total transaction amount of bill acceptance and discount services handled by Shenhua Finance Company for Shenhua Group and its subsidiaries (except for the Company and its subsidiaries)	3,896.38	100.0
	(3) maximum daily balance (including relevant accrued interests incurred) of deposits accepted by Shenhua Finance Company from Shenhua Group and its subsidiaries (except for the Company and its subsidiaries)	33,593.70	–
	(4) maximum balance of loans, consumption credit, buyer's credit and financial leasing (including relevant accrued interests incurred) granted by Shenhua Finance Company to Shenhua Group and its subsidiaries (except for the Company and its subsidiaries)	7,030.52	–
	(5) maximum balance of entrusted loans (including relevant accrued interests incurred) among Shenhua Group and its subsidiaries (except for the Company and its subsidiaries) handled by Shenhua Finance Company	55,566.47	–
	(6) interests paid by the Company and/or its subsidiaries to Shenhua Group and its subsidiaries on entrusted loans	14.13	0.8

The above-mentioned related party transactions were carried out in the ordinary course of business of the Company and were subject to strict procedures of review, approval and disclosure by independent directors and independent shareholders. The Company did not rely on its controlling shareholder for its business as a result of regular related party transactions.

Related party transactions regarding acquisition and disposal of assets

Please refer to the section headed "Material Connected Transactions" of this chapter for more details.

Material related party transactions regarding joint external investment

During the reporting period, the Company did not enter into any material related party transactions regarding joint external investment.

Debts and liabilities due from/owed to related parties

Unit: RMB million

		Funds provided to related parties		Funds provided by related parties to the Company	
Related parties	Related relationship	Amount of change	Balance	Amount of change (restated)	Balance
Shenhua Group Corporation and its subsidiaries	Holding company and its subsidiaries	–	–	(100.00)	1,843.00
Other related parties	–	100.00	813.28	–	–
Total	–	100.00	813.28	(100.00)	1,843.00

The amount and balance of the above debts and liabilities only include other receivables, other payables, short-term loans, long-term loans due within one year, long-term loans, other non-current assets due within one year, other current assets and other non-current assets of a non-operational nature between the Group and related parties.

The above debts and liabilities due from/to related parties mainly represent entrusted loans provided by the Group to associated companies of subsidiaries of the Company, together with long-term and short-term loans borrowed by the Group from Shenhua Group Corporation and its subsidiaries. The Group performed its internal decision making prcedures in accordance with the relevant requirements. Currently, the above-mentioned entrusted loans and loans are under normal repayment plan with repayment on both principal and interests as scheduled.

The balance of the above debts and liabilities has accrued a provision for impairment of RMB86.72 million.

Appropriation of funds

As at the end of the reporting period, there was no appropriation of any of the Company's funds for non-operational purpose by its controlling shareholders or the controlling shareholder's affiliated enterprises. The audit opinion issued by the auditors of the Company for the matter was separately published on the website of the Shanghai Stock Exchange.

Material contracts and performance thereof

Trust, contract and lease

During the reporting period, the Company has not established any material trust arrangement on, acted as contractor for or leased assets of other companies and no other company has established any material trust arrangement on, acted as contractor for or leased any of the Company's assets. Further, none of such arrangement subsisted in the reporting period.

Guarantee

(I) Material guarantees

Unit: RMB million

Guarantee provided by the Company to external parties (excluding guarantee given by the Company for the benefit of its subsidiaries)						
Guaranteed party	**Date of provision of guarantee (execution date of agreement)**	**Guaranteed amount**	**Type of guarantee**	**Period**	**Whether performance has been completed**	**Whether the guarantee is for the benefit of related parties (Yes or No)**
Shenbao Energy Company	30 August 2008	117.45	Joint guarantee	20 years	No	No
Total guaranteed amount provided during the reporting period						–
Total guaranteed balance at the end of the reporting period						117.45
Guarantee given by the Company for the benefit of its subsidiaries						
Total guaranteed amount provided to the Company's subsidiaries during the reporting period						(21.64)
Total guaranteed balance given to the Company's subsidiaries at the end of the reporting period						1,995.92
Aggregated guaranteed amount given by the Company (including guarantee given by the Company for the benefit of its subsidiaries)						
Total guaranteed amount						2,113.37
Percentage of total guaranteed amount to net assets of the Company						0.95%
Including:						
Amount of guarantees provided for the benefit of shareholders, de facto controller and their related parties						–
Amount of guarantees directly or indirectly provided for the benefit of parties with over 70% in asset-liability ratio						1,577.37
Portion of the total guaranteed amount in excess of 50% of net assets						–
Aggregated amount of the above three guaranteed amount						1,577.37

Note: 1. Of the total guaranteed balance, the guaranteed balance provided by the Company's controlling subisidiaries to external parties at the end of the reporting period refers to the guaranteed amount provided by such subsidiary to external parties multiplies the Company's shareholding in such subsidiary.

2. Percentage of total guaranteed amount to net assets of the Company = Guaranteed amount/Equity attributable to equity shareholders of the Company under Accounting Standards for Business Enterprises.

(II) Details of material guarantees

At the end of the reporting period, the sum of the guaranteed amount provided by the Company for the benefit of its controlling subsidiaries and the guaranteed balance of the Company to external parties amounted to RMB2,113.37 million, including:

1. The Company has provided guarantee for and has accepted joint and several liabilities on five bank loans of Huanghua Harbour Administration Company amounting to RMB536.00 million. Agreements for the above five loans were entered into prior to the establishment of the Company and the original guarantor was Shenhua Group. When the Company was established as part of the restructuring in November 2004, the guarantor was changed to the Company pursuant to relevant reorganization arrangement and at the requests of the relevant banks. Huanghua Harbour Administration Company is an important member of the Company responsible for seaborne coal transportation, with a sound financial condition and good profitability. There was no indication that the Company might be required to perform its joint and several liabilities under the above guarantee.

2. The Company has provided counter-guarantee to EMM Indonesia for loans of no more than US$231.7 million with a term of 3.5 years. At the end of the reporting period, the actual US loan amount incurred was US$231.7 million (equivalent to RMB1,459.92 million). The guarantee was approved at the 37th meeting of the first session of the Board held on 18 December 2009. Please refer to the "Announcement of China Shenhua Energy Company Limited's External Guarantee" dated 19 December 2009 for details.

   The gearing ratio of EMM Indonesia did not exceed 70% when the counter-guarantee was approved on 18 December 2009. The project progress in 2011 resulted in an increase in payables arising from equipment purchase and the construction works. The gearing ratio of EMM Indonesia exceeded 70% as at 31 December 2011. The above payables were incurred under normal commercial arrangements during the procurement process and were periodic in nature. EMM Indonesia will settle the above payables in accordance with relevant commercial arrangements. There was no indication that the Company will be required to perform its liabilities under the above counter-guarantee.

3. At the end of the reporting period, the guarantee provided by Shenbao Energy Company, a controlled subsidiary owned as to 56.61% by the Company, was: Prior to the acquisition of Shenbao Energy Company by the Company in 2011 and pursuant to the "Guarantee agreement on the syndicated loan in RMB for the cooperative railway project connecting Yimin and Yiershi newly constructed by Hulunbeier Liangyi Railway Company Limited", Shenbao Energy Company, as a guarantor, provided joint and several guarantee in 2008 to Hulunbeier Liangyi Railway Company Limited, a company owned by Shenbao Energy Company as to 14.22%, for the syndicated loans. The major liability guaranteed was the debts due to the lender with a maximum balance of RMB207.47 million from 2008 to 2027, regardless of whether the debt is due when the above period expires. The Company disclosed details of the above guarantee in the Announcement on Acquisition of Assets and Connected Transaction of China Shenhua Energy Company Limited on 21 December 2010. According the provisions on the statements, guarantees and commitments of the transferor in Item 5 of Article 9 of the Equity Transfer Agreement between Shenhua Group Corporation and China Shenhua Energy Company Limited Concerning Shenhua Baorixile Energy Industrial Co., Ltd., the transferor should make statements, guarantees and commitments to the transferee with respect to the Target Company, including: in the absence of material change in the production and operation environment of the Liangyi Railway, should the book value of the net assets of the Liangyi Railway as at 31 December 2011 is lower than that on the valuation date of 30 June 2010, Shenhua Group shall compensate the difference to China Shenhua based on the proportion of equity in Shenbao Energy Company being transferred and Shenbao Energy Company's shareholding on the Liangyi Railway. Also, the book value of the net assets of the Liangyi Railway as at 31 December 2012 and 31 December 2013 are to be compared with the book value of the net assets as at 31 December 2011 and 31 December 2012 respectively, and Shenhua Group shall compensate China Shenhua for the difference with the aforementioned method. The amount of compensation shall not exceed the book value of the net assets of the Liangyi Railway as at 30 June 2010 multiplied by the proportion of Shenbao Energy Company's shareholding and the proportion of equity in Shenbao Energy Company being transferred. As of the end of the reporting period, the gearing ratio of Hulunbeier Liangyi Railway Company Limited was 82.7%, which was over 70%.

Apart from the above guarantees, the Company has not provided any other guarantee during the reporting period, and there is no other guarantee of which performance is pending.

(III) Opinion of independent directors on material guarantees

The Independent Non-executive Directors of the Company are of the view that:

1. The guarantee of China Shenhua for the benefit of Huanghua Harbour Administration Company was an extension of and resulted from events prior to the restructuring and establishment of the Company.

2. The Company has provided counter-guarantee for the syndicated loans to EMM Indonesia to allow the timely completion of financing by EMM Indonesia. This helps to monitor the construction progress of the Projects and control the costs of construction, ensuring the level of profitability after the operation of the Projects. After conducting the feasibility study by the Company, the major risks of such guarantee are derived from political factors, natural disasters and other man-made factors beyond the Company's control during the construction period that result in loss from completion failures; based on the risk-sharing arrangements between EMM Indonesia and the related parties to the Projects, other risks such as construction and facilities supply during the construction period of the Projects are controllable and acceptable; the subsequent guarantee conversion of EMM Indonesia is in progress and EMM Indonesia will release the guarantee obligations of the Company through the creation of guarantees such as pledges and guaranty over its own assets and future revenue rights.

3. The guarantee on the syndicated loan of Hulunbeier Liangyi Railway Company Limited by Shenhua Energy was the continuation of the events that took place before the Company's acquisition on the equity interest in Shenbao Energy Company in 2011. Although the guarantee has been disclosed in the announcement of asset acquisition and connected transaction, the Company shall remain its concern on the guarantee to protect the interests of the Company and its shareholders.

4. The information of China Shenhua disclosed in relation to the above external guarantee events were true and complete.

Material Investments

During the reporting period, there were no new material investments of the Group.

Commitments by the Shareholders

The commitments made by Shenhua Group Corporation, the controlling shareholder of the Company, during or subsisting in the reporting period and the performance of such commitments are as follows:

Commitment: As part of the reorganization and in the course of establishing the Company, the Company and Shenhua Group Corporation have entered into a "Non-competition Agreement". Pursuant to such agreement, Shenhua Group Corporation has committed not to compete with the Company in respect of the Company's principal businesses whether in or outside of the PRC, and granted the Company an option and pre-emptive right to acquire from Shenhua Group Corporation any potential business in competition.

Performance: Shenhua Group Corporation has strictly complied with its commitments, and there has not been any violation of such commitments.

Appointment and removal of accounting firms

KPMG Huazhen and KPMG were re-appointed as the domestic and international auditors of the Company respectively at the Company's 2010 annual general meeting held on 27 May 2011.

The auditors' remuneration of the Company relating to audit and non-audit services in 2011 amounted to RMB23.75 million and RMB1.62 million respectively. Audit services mainly included financial statement and related audits for 2011, review of interim financial statements and others. Non-audit services mainly included tax advisory and financial advisory services.

Sanctions and Rectifications Imposed on the Company, its Directors, Supervisors, Senior Management, Controlling Shareholders and De Facto Controller

During the reporting period, none of the Company, its directors, supervisors, senior management and controlling shareholders was subject to any investigations conducted by any competent authorities, mandatory measures imposed by any judicial or discipline inspection departments, judicial authority proceedings, or charged for any criminal liabilities, examination conducted by the CSRC, administrative sanctions imposed by CSRC, denial of admission to any stock market, regarded as improper person by the CSRC, sanctions imposed by other administrative authorities, or public censure by any stock exchange.

Other Material Matters

During the reporting period, there was no material environmental protection or other social security issues for the Company. Please refer to the Company's 2011 CSR report for details regarding the related CSR endeavors of the Company in relation to matters such as environmental protection and security. Save for the disclosed information, there was no other material matter of the Company that would require disclosure.

Investor Relations

By adhering to the philosophy of "proactive and interactive exchanges and sharing the fruit of success with investors" in 2011, China Shenhua continued to foster relations with our investors and yielded remarkable results.

During 2011, the Company communicated extensively and candidly with investors and analysts via multiple channels such as result announcements, global roadshows, roadshows of A shares, visits and reverse roadshows. The events registered more than 2,000 persons between the Company and the analysts and fund managers, among which more than 1,900 persons were from roadshows and more than 600 persons were from company visits and telephone conferences.

China Shenhua believes that investor relations is not a one-way delivery of information, rather, it requires interactive communications between investors and the Company that encompasses not just the aspect of "speaking", but "listening" as well. With this in mind, China Shenhua has placed unparalleled importance in listening and adopting the rational opinions and recommendations given by shareholders and investors. We aim to realize the continuous improvement of operating results and report truthfully to our shareholders and investors the financial condition and business development of the Company. By continued optimization of our business, we hope to bring reasonable returns to the shareholders and investors who always give the Company their unswerving support, and benefit the Company and investors alike.

In 2011, China Shenhua's investor relations operated under the guiding principle of "the fusion of market value management and expectation management". China Shenhua pursued investor relations in a quantifiable manner and with a one-month fixed working cycle. It collected and sorted out market feedbacks, followed up market trends and guided the valuation and expectation of the market to be in-sync with the Company's operating results.

Index to Information Disclosure

No.	Event	Date of publication	Website and search directory of publication
1	Announcement on the Major Operational Data of December and the Year 2010	2011-01-24	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
2	Overseas Regulatory Announcement	2011-01-24	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
3	"China Shenhua Energy Company Limited" (the Company) – Announcement on Repaying Raised Funds Used for Temporarily Supplementing Current Capital upon Expiration	2011-01-25	Website of Shanghai Stock Exchange (www.sse.com.cn)
4	"China Shenhua Energy Company Limited" (the Company) – Announcement on Major Operational Data in December 2010 and in Whole Year of 2010	2011-01-25	Website of Shanghai Stock Exchange (www.sse.com.cn)
5	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 31 January 2011	2011-01-31	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
6	Announcement on Preliminary Financial Data for the Year 2010	2011-02-08	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
7	"China Shenhua Energy Company Limited" (the Company) – Express on Annual Performance of 2010	2011-02-09	Website of Shanghai Stock Exchange (www.sse.com.cn)
8	Announcement on the Major Operational Data of January 2011	2011-02-14	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
9	"China Shenhua Energy Company Limited" (the Company) – Announcement on Major Operational Data in January 2011	2011-02-15	Website of Shanghai Stock Exchange (www.sse.com.cn)
10	Overseas Regulatory Announcement	2011-02-17	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
11	"China Shenhua Energy Company Limited" (the Company) – Particulars of 2011 First Special Shareholders' Meeting	2011-02-18	Website of Shanghai Stock Exchange (www.sse.com.cn)

No.	Event	Date of publication	Website and search directory of publication
12	Voting Results of 2011 First Extraordinary General Meeting	2011-02-25	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
13	Overseas Regulatory Announcement	2011-02-25	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
14	"China Shenhua Energy Company Limited" – Legal Opinion of 2011 First Special Shareholders' Meeting	2011-02-26	Website of Shanghai Stock Exchange (www.sse.com.cn)
15	"China Shenhua Energy Company Limited" (the Company) – Announcement on Resolutions of 2011 First Special Shareholders' Meeting	2011-02-26	Website of Shanghai Stock Exchange (www.sse.com.cn)
16	Monthly Return of Equity Issuer on Movements in Securities for the month ended 28 February 2011	2011-02-28	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
17	Overseas Regulatory Announcement	2011-03-04	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
18	"China Shenhua Energy Company Limited" (the Company) – Announcement on the Coal Resources of Taige Temple Exploration Area in Xinjie	2011-03-05	Website of Shanghai Stock Exchange (www.sse.com.cn)
19	Overseas Regulatory Announcement	2011-03-14	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
20	"China Shenhua Energy Company Limited" (the Company) – Announcement on Name Change of Affiliated Geological Exploration Company	2011-03-15	Website of Shanghai Stock Exchange (www.sse.com.cn)
21	Announcement on the Major Operational Data of February 2011	2011-03-15	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
22	Notice of Board Meeting	2011-03-15	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
23	"China Shenhua Energy Company Limited" (the Company) – Announcement on Major Operational Data in February 2011	2011-03-16	Website of Shanghai Stock Exchange (www.sse.com.cn)
24	Overseas Regulatory Announcement	2011-03-17	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
25	"China Shenhua Energy Company Limited" (the Comapny) – Announcement on Resignation of Vice President Hua Zeqiao	2011-03-18	Website of Shanghai Stock Exchange (www.sse.com.cn)
26	Overseas Regulatory Announcement	2011-03-18	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
27	China Shenhua Energy Company Limited" (the Company) – Announcement on Temporarily Using Idle Raised Funds to Supplement Current Capital	2011-03-19	Website of Shanghai Stock Exchange (www.sse.com.cn)

No.	Event	Date of publication	Website and search directory of publication
28	"China Shenhua Energy Company Limited" (the Company) – Announcement on the Company Being Shortlisted for the Tender for the Western Block in Tsankhi Mining Area, Tavan Tolgoi Coal field, Mongolia	2011-03-19	Website of Shanghai Stock Exchange (www.sse.com.cn)
29	Announcement of Annual Results for the Year Ended 31 December 2010	2011-03-25	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
30	Overseas Regulatory Announcement	2011-03-25	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
31	Overseas Regulatory Announcement	2011-03-25	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
32	2010 CSR Report	2011-03-25	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
33	2010 Annual Report	2011-03-25	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
34	"China Shenhua Energy Company Limited" (the Company) – The Accountability System for Material Errors in Annual Report Information Disclosure	2011-03-26	Website of Shanghai Stock Exchange (www.sse.com.cn)
35	"China Shenhua Energy Company Limited" (the Company) – Management System for Regulating Fund Transfers with Connected Parties	2011-03-26	Website of Shanghai Stock Exchange (www.sse.com.cn)
36	"China Shenhua Energy Company Limited" (the Company) – Explanatory Notes on the Self-Assessment Report (2010) for Internal Control by the Board	2011-03-26	Website of Shanghai Stock Exchange (www.sse.com.cn)
37	"China Shenhua Energy Company Limited" (the Company) – Rules of Work for the Secretary to the Board	2011-03-26	Website of Shanghai Stock Exchange (www.sse.com.cn)
38	"China Shenhua Energy Company Limited" (the Company) – Explanatory Notes on the Appropriation of Non-operational Funds and Inflows and Outflows of Other Related Funds for the Year 2010 of China Shenhua	2011-03-26	Website of Shanghai Stock Exchange (www.sse.com.cn)
39	"China Shenhua Energy Company Limited" – Summary of Annual Report	2011-03-26	Website of Shanghai Stock Exchange (www.sse.com.cn)
40	"China Shenhua Energy Company Limited" (the Company) – Annual Report	2011-03-26	Website of Shanghai Stock Exchange (www.sse.com.cn)
41	"China Shenhua Energy Company Limited" (the Company) – Announcement on Resolutions of 6th Session of 2nd Supervisory Committee	2011-03-26	Website of Shanghai Stock Exchange (www.sse.com.cn)
42	"China Shenhua Energy Company Limited" (the Company) – Announcement on Resolutions of 12th Session of 2nd Directorate Meeting	2011-03-26	Website of Shanghai Stock Exchange (www.sse.com.cn)

No.	Event	Date of publication	Website and search directory of publication
43	"China Shenhua Energy Company Limited" (the Company) – 2010 CSR Report	2011-03-26	Website of Shanghai Stock Exchange (www.sse.com.cn)
44	Monthly Return of Equity Issuer on Movements in Securities as of 11/3/2011	2011-03-31	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
45	Notice of Annual General Meeting	2011-04-10	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
46	Notice of 2011 First Class Meeting of the Holders of H Shares	2011-04-10	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
47	Proposal for General Mandate to Repurchase A Shares and H Shares	2011-04-10	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
48	Form of Proxy for Annual General Meeting	2011-04-10	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
49	Form of Proxy for 2011 First Class Meeting of the Holder of H Shares	2011-04-10	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
50	Annual General Meeting Reply Slip	2011-04-10	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
51	Class Meeting of the Holders of H Shares Reply Slip	2011-04-10	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
52	Overseas Regulatory Announcement	2011-04-10	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
53	"China Shenhua Energy Company Limited" (the Company) – Notice of Convening 2011 First Class Meeting of the Holder of A Shares	2011-04-11	Website of Shanghai Stock Exchange (www.sse.com.cn)
54	"China Shenhua Energy Company Limited" (the Company) – Notice of Convening 2010 Annual General Meeting	2011-04-11	Website of Shanghai Stock Exchange (www.sse.com.cn)
55	Notice of Board Meeting	2011-04-17	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
56	Announcement on the Major Operational Data of March 2011	2011-04-19	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
57	"China Shenhua Energy Company Limited" (the Company) – Announcement on Major Operational Data in March 2011	2011-04-20	Website of Shanghai Stock Exchange (www.sse.com.cn)
58	Overseas Regulatory Announcement	2011-04-20	Website of Hong Kong Stock Exchange (www.hkex.com.hk)

No.	Event	Date of publication	Website and search directory of publication
59	"China Shenhua Energy Company Limited" (the Company) – Announcement on State Coal Contingency Reserve Plan	2011-04-21	Website of Shanghai Stock Exchange (www.sse.com.cn)
60	Overseas Regulatory Announcement	2011-04-21	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
61	"China Shenhua Energy Company Limited" (the Company) – Announcement on Approval of Pilot of National Green Mines	2011-04-22	Website of Shanghai Stock Exchange (www.sse.com.cn)
62	Overseas Regulatory Announcement	2011-04-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
63	"China Shenhua Energy Company Limited" (the Company) – Announcement on Purchasing 51% Equity of Huayang (Luoyang) Electric Power Co., Ltd	2011-04-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
64	First Quarterly Report for the Year 2011	2011-04-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
65	Overseas Regulatory Announcement	2011-04-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
66	Overseas Regulatory Announcement	2011-04-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
67	Continuing Connected Transaction	2011-04-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
68	"China Shenhua Energy Company Limited" (the Company) – H Shares Announcement	2011-04-30	Website of Shanghai Stock Exchange (www.sse.com.cn)
69	"China Shenhua Energy Company Limited" (the Company) – Announcement on Resolutions of 14th Session of 2nd Directorate Meeting	2011-04-30	Website of Shanghai Stock Exchange (www.sse.com.cn)
70	"China Shenhua Energy Company Limited" (the Company) – First Quarterly Report for the Year 2011	2011-04-30	Website of Shanghai Stock Exchange (www.sse.com.cn)
71	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 April 2011	2011-05-03	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
72	Overseas Regulatory Announcement	2011-05-13	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
73	Overseas Regulatory Announcement	2011-05-13	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
74	"China Shenhua Energy Company Limited" (the Company) – Particulars on 2011 First Class Meeting of the Holders of A Shares	2011-05-14	Website of Shanghai Stock Exchange (www.sse.com.cn)

No.	Event	Date of publication	Website and search directory of publication
75	"China Shenhua Energy Company Limited" (the Company) – Particulars on the 2010 Annual General Meeting	2011-05-14	Website of Shanghai Stock Exchange (www.sse.com.cn)
76	"China Shenhua Energy Company Limited" (the Company) – Announcement on Launching Trial Production of Lijiahao Coal Mine	2011-05-14	Website of Shanghai Stock Exchange (www.sse.com.cn)
77	Announcement on the Major Operational Data of April 2011	2011-05-16	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
78	"China Shenhua Energy Company Limited" (the Company) – Announcement on Major Operational Data in April 2011	2011-05-17	Website of Shanghai Stock Exchange (www.sse.com.cn)
79	Appointment of Vice Chairman of the Board, Re-designation of Non-executive Director and Appointment of Senior Management	2011-05-24	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
80	Overseas Regulatory Announcement	2011-05-24	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
81	"China Shenhua Energy Company Limited" (the Company) – Announcement on Resolutions of the 15th Meeting of the 2nd Session of the Board in relation to Re-designation of Directors and senior management	2011-05-25	Website of Shanghai Stock Exchange (www.sse.com.cn)
82	Notice to Creditors in Relation to Repurchase of Shares of the Company	2011-05-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
83	Voting Results of 2010 Annual General Meeting, 2011 First Class Meeting of the Holders of H Shares and 2011 First Class Meeting of the Holders of A Shares	2011-05-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
84	Overseas Regulatory Announcement	2011-05-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
85	"China Shenhua Energy Company Limited" (the Company) – Notice to Creditors of Shares Repurchase	2011-05-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
86	"China Shenhua Energy Company Limited" (the Company) – Legal Opinion on 2010 Annual General Meeting and 2011 First Class Meeting of the Holders of A Shares and H Shares	2011-05-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
87	"China Shenhua Energy Company Limited"(the Company) – Announcement on Resolutions of 2010 Annual General Meeting	2011-05-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
88	"China Shenhua Energy Company Limited" (the Company) – Announcement on Resolutions of 2011 First Class Meeting of the Holders of A Shares and H Shares	2011-05-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
89	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 May 2011	2011-05-31	Website of Hong Kong Stock Exchange (www.hkex.com.hk)

No.	Event	Date of publication	Website and search directory of publication
90	Overseas Regulatory Announcement	2011-06-02	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
91	"China Shenhua Energy Company Limited" (the Company) – Announcement on Dividend Distribution for End of 2010	2011-06-03	Website of Shanghai Stock Exchange (www.sse.com.cn)
92	Unusual Price and Trading Volume Movements	2011-06-03	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
93	Unusual Price and Trading Volume Movements	2011-06-07	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
94	Overseas Regulatory Announcement	2011-06-10	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
95	"China Shenhua Energy Company Limited" (the Company) – Announcement on Adjustments to Power Prices	2011-06-11	Website of Shanghai Stock Exchange (www.sse.com.cn)
96	Announcement on the Major Operational Data of May 2011	2011-06-15	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
97	"China Shenhua Energy Company Limited" (the Company) – Announcement on Major Operational Data in May 2011	2011-06-16	Website of Shanghai Stock Exchange (www.sse.com.cn)
98	Further Information on the Payment of Final Dividend	2011-06-24	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
99	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 June 2011	2011-06-30	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
100	Overseas Regulatory Announcement	2011-07-11	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
101	"China Shenhua Energy Company Limited" (the Company) – Announcement on Jointly Contributing to Establishing Shenwan Energy	2011-07-12	Website of Shanghai Stock Exchange (www.sse.com.cn)
102	Announcement on the Major Operational Data of June and the First Half of 2011	2011-07-21	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
103	"China Shenhua Energy Company Limited" (the Company) – Announcement on Major Operational Data in June and 1st Half of 2011	2011-07-22	Website of Shanghai Stock Exchange (www.sse.com.cn)
104	Elections as to Means of Receipt and Language of Corporate Communications	2011-07-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)

No.	Event	Date of publication	Website and search directory of publication
105	Election of Language and Means of Receipt of Corporate Communication	2011-07-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
106	Reply Form	2011-07-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
107	Further Announcement on the Payment of Final Dividend	2011-07-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
108	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 July 2011	2011-08-02	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
109	Notice of Board Meeting	2011-08-16	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
110	Announcement on Preliminary Financial Data for the First Half of 2011	2011-08-17	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
111	"China Shenhua Energy Company Limited" (the Company) – Express on Performance in 1st Half of 2011	2011-08-18	Website of Shanghai Stock Exchange (www.sse.com.cn)
112	Announcement on the Major Operational Data of July 2011	2011-08-22	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
113	"China Shenhua Energy Company Limited" (the Company) – Announcement on Major Operational Data in July of 2011	2011-08-23	Website of Shanghai Stock Exchange (www.sse.com.cn)
114	Announcement Made Pursuant to Rule 13.09 of the Listing Rules	2011-08-26	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
115	Announcement of Interim Results for the Six Months Ended 30 June 2011	2011-08-26	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
116	Announcement Amendments to the Articles of Association, the Rules of Procedure of Board Meeting and the Related Party Transactions Decision Making Rules	2011-08-26	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
117	Overseas Regulatory Announcement	2011-08-26	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
118	Overseas Regulatory Announcement	2011-08-26	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
119	2011 Interim Report	2011-08-26	Website of Hong Kong Stock Exchange (www.hkex.com.hk)

No.	Event	Date of publication	Website and search directory of publication
120	"China Shenhua Energy Company Limited" (the Company) – Announcement on Signing "Agreement on Service of Entrusted Management on Assets and Business	2011-08-27	Website of Shanghai Stock Exchange (www.sse.com.cn)
121	Special Report on Deposit and Actual Use of Proceeds of China Shenhua Energy Company Limited	2011-08-27	Website of Shanghai Stock Exchange (www.sse.com.cn)
122	"China Shenhua Energy Company Limited" – Rules of Work for the Secretary to the Board	2011-08-27	Website of Shanghai Stock Exchange (www.sse.com.cn)
123	China Shenhua Energy Company Limited" (the Company) – Announcement on Launching Purchase of Some Assets of Controlling Shareholder	2011-08-27	Website of Shanghai Stock Exchange (www.sse.com.cn)
124	"China Shenhua Energy Company Limited" – 2011 Interim Report	2011-08-27	Website of Shanghai Stock Exchange (www.sse.com.cn)
125	Summary of 2011 Interim Report of China Shenhua	2011-08-27	Website of Shanghai Stock Exchange (www.sse.com.cn)
126	"China Shenhua Energy Company Limited" (the Company) – Announcement on Resolutions of 17th Session of 2nd Directorate Meeting	2011-08-27	Website of Shanghai Stock Exchange (www.sse.com.cn)
127	Monthly Return of Equity Issuer on Movements in Securities for the month ended August 31 2011	2011-08-31	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
128	Overseas Regulatory Announcement	2011-08-31	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
129	"China Shenhua Energy Company Limited" (the Company) – Announcement on No. 2 Machine Group of Mengjin Power Putting into Commercial Operation	2011-09-01	Website of Shanghai Stock Exchange (www.sse.com.cn)
130	Notification Letter and Request Form to Non Registered Holder	2011-09-07	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
131	Notification Letter and Request Form to Shareholder	2011-09-07	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
132	Announcement on the Major Operational Data of August 2011	2011-09-16	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
133	"China Shenhua Energy Company Limited" (the Company) – Announcement on Major Operational Data in August of 2011	2011-09-17	Website of Shanghai Stock Exchange (www.sse.com.cn)
134	Overseas Regulatory Announcement	2011-09-20	Website of Hong Kong Stock Exchange (www.hkex.com.hk)

No.	Event	Date of publication	Website and search directory of publication
135	"China Shenhua Energy Company Limited" (the Company) – Announcement on Repaying Idle Raised Funds Used for Temporarily Supplementing Current Capital upon Expiration	2011-09-21	Website of Shanghai Stock Exchange (www.sse.com.cn)
136	Overseas Regulatory Announcement	2011-09-28	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
137	"China Shenhua Energy Company Limited" (the Company) – Announcement on Using Idle Raised Funds to Temporarily Supplement Current Capital	2011-09-29	Website of Shanghai Stock Exchange (www.sse.com.cn)
138	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 September 2011	2011-09-30	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
139	Announcement on the Major Operational Data of September and the First Three Quarters of 2011	2011-10-14	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
140	"China Shenhua Energy Company Limited" (the Company) – Announcement on Major Operational Data in September of 2011 and that from January to September 2011	2011-10-15	Website of Shanghai Stock Exchange (www.sse.com.cn)
141	Notice of Board Meeting	2011-10-18	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
142	Revision of Cap for Continuing Connected Transactions under the Mutual Coal Supply Agreement	2011-10-28	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
143	Overseas Regulatory Announcement	2011-10-28	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
144	"China Shenhua Energy Company Limited" – Third Quarterly Report	2011-10-28	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
145	"China Shenhua Energy Company Limited" (the Company) – Announcement on Daily Connected Transactions	2011-10-29	Website of Shanghai Stock Exchange (www.sse.com.cn)
146	"China Shenhua Energy Company Limited" (the Company) – Announcement on Resolutions of 19th Session of 2nd Directorate Meeting	2011-10-29	Website of Shanghai Stock Exchange (www.sse.com.cn)
147	Third Quarterly Report of China Shenhua for the Year 2011	2011-10-29	Website of Shanghai Stock Exchange (www.sse.com.cn)
148	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 October 2011	2011-10-31	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
149	Overseas Regulatory Announcement	2011-11-09	Website of Hong Kong Stock Exchange (www.hkex.com.hk)

No.	Event	Date of publication	Website and search directory of publication
150	"China Shenhua Energy Company Limited" (the Company) – Announcement on Entry of Project into Production and Operation Period	2011-11-10	Website of Shanghai Stock Exchange (www.sse.com.cn)
151	Overseas Regulatory Announcement	2011-11-14	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
152	Announcement on the Major Operational Data of October of 2011	2011-11-14	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
153	"China Shenhua Energy Company Limited" (the Company) – Announcement on Major Operational Data in October 2011	2011-11-15	Website of Shanghai Stock Exchange (www.sse.com.cn)
154	"China Shenhua Energy Company Limited" (the Company) – Notice on Holding Online Exchange for Shareholders	2011-11-15	Website of Shanghai Stock Exchange (www.sse.com.cn)
155	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 November 2011	2011-11-30	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
156	Overseas Regulatory Announcement	2011-12-09	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
157	"China Shenhua Energy Company Limited" (the Company) – Announcement on Adjustment to Power Prices	2011-12-10	Website of Shanghai Stock Exchange (www.sse.com.cn)
158	Announcement on the Major Operational Data of November of 2011	2011-12-15	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
159	"China Shenhua Energy Company Limited" (the Company) – Announcement on Major Operational Data in November 2011	2011-12-16	Website of Shanghai Stock Exchange (www.sse.com.cn)
160	Overseas Regulatory Announcement	2011-12-21	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
161	"China Shenhua Energy Company Limited" (the Company) – Announcement on Progress in Guojiawan and Qinglong Temple Coal Mines Project	2011-12-22	Website of Shanghai Stock Exchange (www.sse.com.cn)

Note: 1. "-" refers to disclosure on the designated website only without publication of the full text in newspapers. Hong Kong Stock Exchange has implemented the "Electronic Disclosure Scheme" since 25 June 2007. According to this scheme, the full text of any H Share announcement of the Company is not required to be published in the newspapers from 25 June 2007; According to the Listing Rules of Shanghai Stock Exchange, certain A Share announcements can be disclosed on the websites and are not required to be published in newspapers.

2. The Company's A Shares have been listed on Shanghai Stock Exchange since 9 October 2007. In compliance with the disclosure requirements of the listing rules in the places of listing, the Company will disclose, simultaneously in both places of listing, the contents of the announcements issued, both of which are hereby listed.

Independent Auditor's Report

To the shareholders of
China Shenhua Energy Company Limited
(Incorporated in The People's Republic of China with limited liability)

We have audited the consolidated financial statements of China Shenhua Energy Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 163 to 245, which comprise the consolidated and company statements of financial position as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 March 2012

Financial Statements

Consolidated statement of comprehensive income

for the year ended 31 December 2011
(Expressed in Renminbi)

	Note	**2011 RMB million**	*2010 RMB million (restated-Note 4)*
Revenues			
Coal revenue		**140,090**	106,080
Power revenue		**58,348**	44,800
Other revenues	6	**9,759**	6,782
Total operating revenues	5	**208,197**	157,662
Cost of revenues			
Coal purchased		**(45,753)**	(26,437)
Materials, fuel and power		**(14,777)**	(12,335)
Personnel expenses		**(9,090)**	(7,290)
Depreciation and amortisation		**(14,606)**	(12,718)
Repairs and maintenance		**(6,027)**	(5,736)
Transportation charges		**(18,304)**	(10,570)
Others	7	**(19,535)**	(15,056)
Total cost of revenues		**(128,092)**	(90,142)
Selling, general and administrative expenses		**(10,973)**	(9,219)
Other operating expenses, net		**(827)**	(776)
Total operating expenses	8	**(139,892)**	(100,137)
Profit from operations		**68,305**	57,525
Finance income	9	**1,082**	1,397
Finance expenses	9	**(3,218)**	(3,645)
Net finance costs		**(2,136)**	(2,248)
Investment income		**1**	174
Share of profits less losses of associates		**290**	491
Profit before income tax		**66,460**	55,942
Income tax	10	**(13,951)**	(11,473)
Profit for the year		**52,509**	44,469
Other comprehensive income	14		
Exchange differences on translation of financial statements of overseas subsidiaries		**(61)**	67
Total comprehensive income for the year		**52,448**	44,536
Profit attributable to:			
Equity shareholders of the Company		**45,677**	38,834
Non-controlling interests		**6,832**	5,635
Profit for the year		**52,509**	44,469
Total comprehensive income attributable to:			
Equity shareholders of the Company		**45,623**	38,906
Non-controlling interests		**6,825**	5,630
Total comprehensive income for the year		**52,448**	44,536
Earnings per share (RMB)	16		
– Basic		**2.296**	1.952
– Diluted		**2.296**	1.952

The notes on pages 170 to 245 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 15(a).

Consolidated statement of financial position

at 31 December 2011
(Expressed in Renminbi)

	Note	**2011 RMB million**	2010 RMB million (restated-Note 4)
Non-current assets			
Property, plant and equipment, net	17	**219,904**	188,061
Construction in progress	18	**34,169**	33,088
Intangible assets	19	**3,596**	3,248
Interest in associates	21	**3,065**	2,818
Other long-term equity investments	22	**835**	971
Other non-current assets	23	**18,746**	12,605
Lease prepayments	24	**11,892**	11,411
Deferred tax assets	29(b)	**933**	468
Total non-current assets		**293,140**	252,670
Current assets			
Inventories	25	**12,628**	11,574
Accounts and bills receivable, net	26	**13,365**	11,424
Prepaid expenses and other current assets	27	**12,884**	14,250
Restricted bank deposits		**4,115**	2,052
Time deposits with original maturity over three months		**3,508**	2,949
Cash and cash equivalents	28(a)	**61,437**	77,212
Total current assets		**107,937**	119,461
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	30	**16,389**	15,317
Accounts and bills payable	31	**23,668**	19,661
Accrued expenses and other payables	32	**39,296**	36,893
Current portion of long-term payables	33	**271**	497
Income tax payable	29(a)	**7,925**	4,558
Total current liabilities		**87,549**	76,926
Net current assets		**20,388**	42,535
Total assets less current liabilities		**313,528**	295,205
Non-current liabilities			
Long-term borrowings, less current portion	30	**44,013**	52,311
Long-term payables, less current portion	33	**2,346**	2,133
Accrued reclamation obligations	34	**1,724**	1,702
Deferred tax liabilities	29(b)	**1,131**	1,632
Total non-current liabilities		**49,214**	57,778
Net assets		**264,314**	237,427
Equity			
Share capital	35	**19,890**	19,890
Reserves		**205,932**	185,223
Equity attributable to equity shareholders of the Company		**225,822**	205,113
Non-controlling interests		**38,492**	32,314
Total equity		**264,314**	237,427

Approved and authorised for issue by the Board of Directors on 23 March 2012.

Zhang Xiwu
Chairman

Ling Wen
Director and President

The notes on pages 170 to 245 form part of these financial statements.

Statement of financial position

at 31 December 2011

(Expressed in Renminbi)

	Note	**2011 RMB million**	*2010 RMB million (restated-Note 4)*
Non-current assets			
Property, plant and equipment, net	17	**60,577**	58,772
Construction in progress	18	**6,060**	4,447
Intangible assets	19	**271**	265
Investments in subsidiaries	20	**63,242**	42,426
Investments in associates	21	**1,159**	1,234
Other long-term equity investments	22	**821**	959
Other non-current assets	23	**15,593**	10,538
Lease prepayments	24	**2,472**	2,627
Total non-current assets		**150,195**	121,268
Current assets			
Inventories	25	**3,115**	8,219
Accounts and bills receivable, net	26	**33,678**	12,264
Prepaid expenses and other current assets	27	**53,442**	29,862
Restricted bank deposits		**324**	–
Time deposits with original maturity over three months		**150**	1,600
Cash and cash equivalents	28(a)	**49,172**	68,368
Total current assets		**139,881**	120,313
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	30	**2,160**	1,073
Accounts payable	31	**9,502**	12,989
Accrued expenses and other payables	32	**93,031**	44,606
Current portion of long-term payables	33	**168**	393
Income tax payable	29(a)	**2,750**	1,426
Total current liabilities		**107,611**	60,487
Net current assets		**32,270**	59,826
Total assets less current liabilities		**182,465**	181,094
Non-current liabilities			
Long-term borrowings, less current portion	30	**7,587**	9,152
Long-term payables, less current portion	33	**1,678**	1,582
Accrued reclamation obligations	34	**940**	1,060
Deferred tax liabilities	29(b)	**823**	1,174
Total non-current liabilities		**11,028**	12,968
Net assets		**171,437**	168,126
Equity			
Share capital	35	**19,890**	19,890
Reserves		**151,547**	148,236
Total equity		**171,437**	168,126

Approved and authorised for issue by the Board of Directors on 23 March 2012.

Zhang Xiwu
Chairman

Ling Wen
Director and President

The notes on pages 170 to 245 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2011
(Expressed in Renminbi)

	Equity attributable to equity shareholders of the Company										
	Share capital RMB million (Note 35)	*Share premium RMB million (Note (i))*	*Capital reserve RMB million (Note (ii))*	*Revaluation reserve RMB million*	*Exchange reserve RMB million*	*Statutory reserves RMB million (Note (iii))*	*Other reserves RMB million*	*Retained earnings RMB million*	*Total RMB million*	*Non-controlling interests RMB million*	*Total equity RMB million*
At 1 January 2010 (as previously reported)	19,890	85,001	(6,591)	7,135	610	13,658	124	50,834	170,661	26,757	197,418
Adjustment in relation to the Acquired Entities and Business (Note 20(b))	–	–	–	–	(2)	296	2,738	714	3,746	994	4,740
Change in accounting policy (Note 2(c))	–	–	10,203	(7,135)	–	–	(755)	(807)	1,506	830	2,336
At 1 January 2010 (as restated)	19,890	85,001	3,612	–	608	13,954	2,107	50,741	175,913	28,581	204,494
Total comprehensive income:											
Profit for the year	–	–	–	–	–	–	–	38,834	38,834	5,635	44,469
Other comprehensive income (exchange differences on translation of financial statements of overseas subsidiaries)	–	–	–	–	72	–	–	–	72	(5)	67
Total comprehensive income for the year	–	–	–	–	72	–	–	38,834	38,906	5,630	44,536
Other movements:											
Dividend declared (Note 15(b))	–	–	–	–	–	–	–	(10,541)	(10,541)	–	(10,541)
Appropriation of maintenance and production funds (Note (iii))	–	–	–	–	–	3,410	–	(3,410)	–	–	–
Utilisation of maintenance and production funds (Note (iii))	–	–	–	–	–	(2,566)	–	2,566	–	–	–
Appropriation of general reserve (Note (iii))	–	–	–	–	–	123	–	(123)	–	–	–
Contributions from then shareholders in relation to the Acquired Entities and Business	–	–	–	–	–	–	1,382	–	1,382	–	1,382
Distributions to then shareholders in relation to the Acquired Entities and Business	–	–	–	–	–	–	–	(547)	(547)	(197)	(744)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	381	381
Distributions to non-controlling interests	–	–	–	–	–	–	–	–	–	(2,814)	(2,814)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	733	733
Sub-total	–	–	–	–	–	967	1,382	(12,055)	(9,706)	(1,897)	(11,603)
At 31 December 2010 (as restated)	19,890	85,001	3,612	–	680	14,921	3,489	77,520	205,113	32,314	237,427

The notes on pages 170 to 245 form part of these financial statements.

Consolidated statement of changes in equity (continued)

for the year ended 31 December 2011
(Expressed in Renminbi)

	Equity attributable to equity shareholders of the Company									
	Share capital RMB million (Note 35)	Share premium RMB million (Note (i))	Capital reserve RMB million (Note (ii))	Exchange reserve RMB million	Statutory reserves RMB million (Note (iii))	Other reserves RMB million	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
At 1 January 2011 (as restated)	19,890	85,001	3,612	680	14,921	3,489	77,520	205,113	32,314	237,427
Total comprehensive income:										
Profit for the year	–	–	–	–	–	–	45,677	45,677	6,832	52,509
Other comprehensive income (exchange differences on translation of financial statements of overseas subsidiaries)	–	–	–	(54)	–	–	–	(54)	(7)	(61)
Total comprehensive income for the year	–	–	–	(54)	–	–	45,677	45,623	6,825	52,448
Other movements:										
Dividend declared (Note 15(b))	–	–	–	–	–	–	(14,917)	(14,917)	–	(14,917)
Appropriation of maintenance and production funds (Note (iii))	–	–	–	–	3,736	–	(3,736)	–	–	–
Utilisation of maintenance and production funds (Note (iii))	–	–	–	–	(2,677)	–	2,677	–	–	–
Appropriation of general reserve (Note (iii))	–	–	–	–	33	–	(33)	–	–	–
Contributions from then shareholders in relation to the Acquired Entities and Business	–	–	–	–	–	455	–	455	–	455
Distributions to then shareholders in relation to the Acquired Entities and Business	–	–	–	–	–	–	(136)	(136)	(105)	(241)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	2,005	2,005
Distributions to non-controlling interests	–	–	–	–	–	–	–	–	(3,456)	(3,456)
Consideration for the Acquired Entities and Business (Note 20(b))	–	–	–	–	–	(10,316)	–	(10,316)	–	(10,316)
Acquisition of subsidiaries (Note 20(c))	–	–	–	–	–	–	–	–	909	909
Sub-total	–	–	–	–	1,092	(9,861)	(16,145)	(24,914)	(647)	(25,561)
At 31 December 2011	19,890	85,001	3,612	626	16,013	(6,372)	107,052	225,822	38,492	264,314

Notes:

(i) The share premium represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received upon the global initial public offering of H shares in 2005 and the issue of A shares in 2007.

(ii) The capital reserve represents the difference between the total amount of the par value of shares issued and the amount of the net assets, net of other reserves, transferred from Shenhua Group Corporation Limited ("Shenhua Group") in connection with the Restructuring (as defined in Note 1).

The notes on pages 170 to 245 form part of these financial statements.

(iii) Statutory reserves

Statutory surplus reserve

According to the Company's Articles of Association, the Company is required to transfer 10% of its net profit as determined in accordance with the China Accounting Standards for Business Enterprises ("China Accounting Standards") to its statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

The statutory surplus reserve has reached 50% of the registered capital in 2009. Accordingly, no appropriation of net profit to the statutory surplus reserve has been proposed since 1 January 2010.

Statutory surplus reserve can be used to make good previous years' losses, if any, or to expand the Company's business, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

Specific reserve for maintenance and production funds

Pursuant to the relevant PRC regulations for coal mining companies, provision for production maintenance, production safety and other related expenditures are accrued by the Group at fixed rates based on coal production volume (the "maintenance and production funds"). Provision for maintenance and production funds is recognised as expense in profit or loss with a corresponding adjustment to the specific reserve. The maintenance and production funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve back to retained earnings.

General reserve

Pursuant to relevant regulations issued by the Ministry of Finance, the Group's subsidiary, Shenhua Finance Co., Ltd., is required to set aside a general reserve through appropriations of profit after tax according to a certain ratio of the ending balance of gross risk-bearing assets to cover potential losses against such assets.

Discretionary surplus reserve

The appropriation to the discretionary surplus reserve is subject to the shareholders' approval. The utilisation of the reserve is similar to that of the statutory surplus reserve.

The directors have not proposed any appropriation to the discretionary surplus reserve in 2011 and 2010.

The notes on pages 170 to 245 form part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2011
(Expressed in Renminbi)

	Note	**2011 RMB million**	2010 RMB million (restated-Note 4)
Operating activities			
Cash generated from operations	28(b)	**84,656**	70,852
Interest received		**968**	1,248
Interest paid		**(3,219)**	(3,760)
Income tax paid		**(11,740)**	(9,767)
Net cash generated from operating activities		**70,665**	58,573
Investing activities			
Capital expenditure		**(44,713)**	(30,538)
Lease prepayments		**(259)**	(1,633)
Payment for the acquisition of Acquired Entities and Business	20(b)	**(8,702)**	–
Acquisition of subsidiaries	28(c)	**(1,666)**	473
Capital injections in associates		**(90)**	(82)
Purchase of other investments		**–**	(662)
Proceeds from disposal of property, plant and equipment		**50**	130
Dividend received from associates		**151**	273
Dividend received from other investments		**1**	–
Net increase in restricted bank deposits		**(2,063)**	(73)
Increase in time deposits with original maturity over three months		**(5,800)**	(12,651)
Maturity of time deposits with original maturity over three months		**5,241**	16,601
Entrusted loan to a third party		**–**	(3,000)
Repayment of entrusted loan from a third party		**3,000**	30
Net cash used in investing activities		**(54,850)**	(31,132)
Financing activities			
Proceeds from borrowings		**4,671**	31,548
Repayments of borrowings		**(20,814)**	(42,225)
Contributions from non-controlling interests		**2,005**	381
Distributions to non-controlling interests		**(2,742)**	(2,349)
Dividend paid to equity shareholders of the Company		**(14,917)**	(10,541)
Contributions from then shareholders in relation to the Acquired Entities and Business		**455**	1,382
Distributions to then shareholders in relation to the Acquired Entities and Business		**(241)**	(744)
Net cash used in financing activities		**(31,583)**	(22,548)
Net (decrease)/increase in cash and cash equivalents		**(15,768)**	4,893
Cash and cash equivalents, at the beginning of the year		**77,212**	72,321
Effect of foreign exchange rate changes		**(7)**	(2)
Cash and cash equivalents, at the end of the year		**61,437**	77,212

The notes on pages 170 to 245 form part of these financial statements

Notes to the consolidated financial statements

for the year ended 31 December 2011
(Expressed in Renminbi)

1 Principal activities and organisation

Principal activities

China Shenhua Energy Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in: (i) the production and sale of coal; and (ii) the generation and sale of power in the People's Republic of China (the "PRC"). The Group operates coal mines as well as an integrated railway network and seaports that are primarily used to transport the Group's coal sales. The primary customers of the Group's coal sales include power plants and metallurgical producers in the PRC. The Group also operates power plants in the PRC, which are engaged in the generation and sale of coal-based power to provincial/regional electric grid companies.

Organisation

The Company was established in the PRC on 8 November 2004 as a joint stock limited company as part of the Restructuring (as defined below) of Shenhua Group, a state-owned enterprise under the direct supervision of the State Council of the PRC. Prior to the establishment of the Company, the coal production and power generation operations were carried on by various mining companies and power plant entities wholly owned or controlled by Shenhua Group.

In connection with the Restructuring (as defined below), Shenhua Group's principal coal production and power generation operations together with the related assets and liabilities that were transferred to the Company were segregated and separately managed effective on 31 December 2003 (the "Restructuring"). Pursuant to the Restructuring, assets and liabilities related to the operations and businesses that were transferred to the Company were revalued by China Enterprise Appraisal Co., Ltd., independent valuers registered in the PRC, as at 31 December 2003 as required by the PRC rules and regulations.

On 8 November 2004, in consideration for Shenhua Group transferring the coal mining and power generating assets and liabilities to the Company, the Company issued 15,000,000,000 domestic state-owned ordinary shares with a par value of RMB1.00 each to Shenhua Group. The shares issued to Shenhua Group represented the entire registered and paid-up share capital of the Company at that date.

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.

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB"). IFRSs include International Accounting Standards ("IAS") and interpretations. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial instruments classified as available-for-sale or trading (see Note 2(g)) and derivative financial instruments (see Note 2(h)) are stated at fair value.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

2 Significant accounting policies (continued)

(c) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IAS 24 (Revised), Related party disclosure
- Improvements to IFRSs (2010)
- IFRIC 19, Extinguishing financial liabilities with equity instruments
- Amendments to IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Except for the amendment to IFRS 1, First-time adoption of International Financial Reporting Standards, which is part of Improvements to IFRSs (2010), the amendments to IFRSs and the new Interpretation have had no or not yet had a material impact on the Group's financial statements as they were consistent with policies already adopted by the Group or these changes will first be effective as and when the Group enters a relevant transaction.

The remaining developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of these financial statements.

As a result of amendment to IFRS 1, a first-time adopter of IFRSs is allowed to use an event-driven fair value measurement as deemed cost for its assets and liabilities, even when the measurement date is after the IFRS transition date, provided that the measurement date is before the end of the period covered by the entity's first IFRS financial statements. This amendment can also be adopted retrospectively by existing IFRS reporters at the latest in the first annual period beginning on or after 1 January 2011.

Pursuant to the Restructuring and as required by the applicable laws and regulations of the PRC, the Group's financial statements prepared under the China Accounting Standards included property, plant and equipment and lease prepayments at deemed cost based on the valuation performed by China Enterprise Appraisal Co., Ltd. as of 31 December 2003. The accounting period covered by the Group's first IFRS financial statements is from 1 January 2002 to 31 December 2004. As the valuation was performed as of a date later than the date of transition to IFRSs (i.e. 1 January 2002), the Group was not permitted at that time to adopt these valuations as deemed cost for the purposes of its first IFRS financial statements and instead adopted the following IFRS accounting policies:

– property, plant and equipment were recognised at the revalued amount based on the revaluation performed in 2003 and have been subsequently measured at fair value using the revaluation method; and

– lease prepayments were recognised at historical cost and therefore, the related revaluation gains arising from the valuation in 2003 as mentioned above have not been recognised.

2 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

As a result of adoption of amendment to IFRS 1, the Group has adopted the event-driven fair value measurement as of 31 December 2003 as deemed cost for its property, plant and equipment and lease prepayments. In addition, the Group changed its IFRS accounting policy in respect of property, plant and equipment from the revaluation model to the historical cost model in order to align the Group's accounting policy with industry peers to provide more relevant financial information to the users of the Group's financial statements. The change in accounting policy has been applied retrospectively with comparatives restated.

Please refer to Note 4 for details of adjustments made to the amounts reported for previous periods and the effect of the changes on the current period, as presented in these financial statements. The consolidated and company statements of financial position at 1 January 2010 are not presented as the change in accounting policy has no material impact on the Group's financial statements.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(r) or 2(s) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

2 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests (continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(o)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the associate's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see Note 2(o)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the associates and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the associates' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former associate at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 2(e)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see Note 2(o)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

2 Significant accounting policies (continued)

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(o)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in Notes 2(x)(iv) and (v).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see Note 2(o)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see Note 2(o)).

2 Significant accounting policies (continued)

(g) Other investments in debt and equity securities (continued)

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in Note 2(x)(iv) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in Note 2(x)(v). When these investments are derecognised or impaired (see Note 2(o)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(i) Property, plant and equipment

Property, plant and equipment, which consist of freehold land, buildings, mining structures and mining rights, mining related machinery and equipment, generators and related machinery and equipment, railway and port transportation structures and furniture, fixtures, motor vehicles and other equipment, are initially stated at cost less accumulated depreciation and impairment losses (see Note 2(o)). The cost of an asset comprises its purchase price, any directly attributable costs of bringing the asset to its present working condition and location for its intended use, the cost of borrowed funds used during the period of construction and, when relevant, the costs of dismantling and removing the items and restoring the site on which they are located, and changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other cost is recognised as an expense in profit or loss in the period in which it is incurred.

When proved and probable coal reserves have been determined, costs incurred to develop coal mines are capitalised as part of the cost of the mining structures. All other expenditures, including the costs of removing waste materials and "stripping costs", the cost of repairs and maintenance and major overhaul, are expensed as they are incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2 Significant accounting policies (continued)

(i) Property, plant and equipment (continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, other than freehold land, mining structures and mining rights, over their estimated useful lives using the straight line method, after taking into account their estimated residual values. The estimated useful lives of property, plant and equipment are as follows:

	Depreciable life
Buildings	9-50 years
Mining related machinery and equipment	5-30 years
Generators and related machinery and equipment	18-30 years
Railway and port structures	30-45 years
Vessels	10-22 years
Furniture, fixtures, motor vehicles and other equipment	3-21 years

Freehold land is not depreciated.

Mining structures and mining rights are depreciated on the units-of-production method utilising only proved and probable coal reserves in the depletion base.

The Group's mining rights are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules.

(j) Lease prepayments

Lease prepayments represent land use rights paid to the relevant PRC governmental authorities for acquiring land held under operating leases. Lease prepayments are carried at cost less accumulated amortisation and impairment losses (see Note 2(o)). Amortisation of lease prepayments is charged to profit or loss on a straight-line basis over the respective periods of the rights.

(k) Construction in progress

Construction in progress is stated at cost less impairment losses (see Note 2(o)). Cost comprises direct costs of construction, borrowing costs and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges, during the period of construction.

Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

2 Significant accounting policies (continued)

(l) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads and borrowing costs, where applicable (see Note 2(z)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see Note 2(o)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(o)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss from the date they are available for use on a straight-line basis over the assets' estimated useful lives.

Both the period and method of amortisation are reviewed annually.

(m) Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation expenditure comprises costs which are directly attributable to:

- researching and analysing historical exploration data;
- gathering exploration data through topographical, geochemical and geophysical studies;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource;
- surveying transportation and infrastructure requirements; and
- conducting market and finance studies.

Expenditure during the initial exploration stage of a project is charged to profit or loss as incurred. Exploration and evaluation costs, including the costs of acquiring licenses, are capitalised as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and commercial viability of the project.

The capitalised costs are presented as either tangible or intangible exploration and evaluation assets according to the nature of the assets. Tangible and intangible exploration and evaluation assets that are available for use are depreciated/amortised over their useful lives. When a project is abandoned, the related irrecoverable costs are written off to profit or loss immediately.

2 Significant accounting policies (continued)

(n) Obligations for land reclamation

The Group's obligations for land reclamation consist of spending estimates at both surface and underground mines in accordance with the PRC rules and regulations. The Group estimates its liabilities for final reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash spending to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The Group records a corresponding asset associated with the liability for final reclamation and mine closure. The obligation and corresponding asset are recognised in the period in which the liability is incurred. The asset is depreciated on the units-of-production method over its expected life and the liability is accreted to the projected spending date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation and the corresponding asset are recognised at the appropriate discount rate.

(o) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in subsidiaries and associates (including those recognised using the equity method (see Note 2(e))), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 2(o)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 2(o)(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

2 Significant accounting policies (continued)

(o) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 Significant accounting policies (continued)

(o) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– construction in progress;

– intangible assets;

– lease prepayments; and

– other non-current assets.

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro-rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 Significant accounting policies (continued)

(o) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(o)(i) and 2(o)(ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(p) Inventories

Coal inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When coal inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventories of ancillary materials, spare parts and small tools used in production are stated at cost less impairment losses for obsolescence.

(q) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 2(o)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

2 Significant accounting policies (continued)

(r) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(s) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 2(w)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(u) Employee benefits

(i) Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

(ii) Defined contribution retirement plans

The Group's contributions to defined contribution retirement plans administered by the PRC government are recognised as an expense when incurred according to the contribution determined by the plans.

(iii) Share appreciation rights

Share appreciation rights ("SARs") are granted to employees of the Company. The fair value of the amount payable to the employee is recognised as an employee cost with a corresponding increase in liabilities. The fair value initially is measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value of the SARs is measured by using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the instruments were granted. The liability is remeasured at the end of each reporting period and at settlement date. Any changes in the fair value of the liability are recognised in profit or loss.

2 Significant accounting policies (continued)

(u) Employee benefits (continued)

(iv) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(v) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

2 Significant accounting policies (continued)

(v) Income tax (continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(w) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 2(w)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

2 Significant accounting policies (continued)

(w) Financial guarantees issued, provisions and contingent liabilities (continued)

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(x) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Revenues associated with the sale of coal is recognised when the risks and rewards to the ownership of the goods have been passed to the customer.

(ii) Revenue from sale of power is recognised upon the transmission of electric power to the power grid companies, as determined based on the volume of electric power transmitted and the applicable fixed tariff rates agreed with the respective electric power grid companies annually.

(iii) Revenue from the rendering of railway, port, shipping and other services is recognised upon the delivery or performance of the services.

(iv) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(v) Interest income is recognised as it accrues using the effective interest method.

(y) Translation of foreign currencies

The Group's functional and presentation currency is Renminbi ("RMB"). Foreign currency transactions during the year are translated into RMB at the applicable rates of exchange quoted by the People's Bank of China ("PBOC") prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into RMB at the applicable PBOC rates ruling at the end of the reporting period. Foreign exchange differences are recognised in profit or loss.

2 Significant accounting policies (continued)

(y) Translation of foreign currencies (continued)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the applicable PBOC rates prevailing on the dates of the transactions. Statement of financial position items are translated into RMB at the applicable PBOC rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(z) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the year in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(aa) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2 Significant accounting policies (continued)

(ab) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled or jointly controlled by a person identified in Note 2(ab)(i).

(7) A person identified in Note 2(ab)(i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 Significant accounting policies (continued)

(ac) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting judgements and estimates

The Group's financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in Note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Coal reserves

Engineering estimates of the Group's coal reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated coal reserves can be designated as "proved" and "probable". Proved and probable coal reserve estimates are updated at regular basis and have taken into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable coal reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expenses and impairment loss. Depreciation rates are determined based on estimated proved and probable coal reserve quantity (the denominator) and capitalised costs of mining structures and mining rights (the numerator). The capitalised cost of mining structures and mining rights are amortised based on the units of coal produced.

3 Accounting judgements and estimates (continued)

(b) Impairments

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, construction in progress, intangible assets, investments in subsidiaries and associates, lease prepayments and other long-term equity investments (Note 2(o)(ii)), the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of its fair value less costs to sell and value in use. It is difficult to precisely estimate fair value because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

In considering the impairment losses that may be required for current receivables and other financial assets, future cashflows need to be determined. One of the key assumptions that has to be applied is about the ability of the debtors to settle the receivables. Notwithstanding that the Group has used all available information to make this estimation, inherent uncertainty exists and actual write-offs may be higher than the amount estimated.

(c) Depreciation

Other than the mining structures and mining rights, property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(d) Obligations for land reclamation

The estimation of the liabilities for final reclamation and mine closure involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including future production volume and development plan, the geological structure of the mining regions and reserve volume to determine the scope, amount and timing of reclamation and mine closure works to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation will be recognised at the appropriate discount rate.

3 Accounting judgements and estimates (continued)

(e) Derivative financial instruments and share appreciation rights

In determining the fair value of the derivative financial instruments and share appreciation rights, considerable judgement is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

4 Restatement

As a result of the acquisition of Acquired Entities and Business (Note 20(b)) and the change in accounting policy as a result of adoption of amendment to IFRS 1 (Note 2(c)), the relevant line items in the consolidated statement of comprehensive income and the consolidated statement of financial position have been restated as follows:

	The Group (as previously reported) *RMB million*	*Acquired Entities and Business* *RMB million*	*Elimination* *RMB million*	*Change in accounting policy* *RMB million*	*The Group (as restated)* *RMB million*
Consolidated statement of comprehensive income for the year ended 31 December 2010:					
Revenues	152,063	8,130	(2,531)	–	157,662
Profit for the year	43,569	1,111	(145)	(66)	44,469
Consolidated statement of financial position as at 31 December 2010:					
Non-current assets	236,865	14,042	(507)	2,270	252,670
Current assets	103,995	18,293	(2,827)	–	119,461
Total assets	340,860	32,335	(3,334)	2,270	372,131
Current liabilities	58,900	20,842	(2,816)	–	76,926
Non-current liabilities	53,172	4,650	(44)	–	57,778
Total liabilities	112,072	25,492	(2,860)	–	134,704
Net assets	228,788	6,843	(474)	2,270	237,427
Equity attributable to equity shareholders of the Company	198,325	6,767	(1,445)	1,466	205,113
Non-controlling interests	30,463	76	971	804	32,314
Total equity	228,788	6,843	(474)	2,270	237,427

4 Restatement (continued)

In addition, the effect of the change in accounting policy on the financial statement line items is as follows:

	2011 **RMB million**	*2010* *RMB million*
Increase/(decrease) on items of consolidated statement of financial position		
Lease prepayments	**2,840**	2,948
Deferred tax assets	**(652)**	(678)
Reserves	**1,416**	1,466
Non-controlling interests	**772**	804

	2011 **RMB million**	*2010* *RMB million*
Increase/(decrease) on items of consolidated statement of comprehensive income		
Cost of revenues	**108**	108
Income tax	**(26)**	(42)
Profit attributable to equity shareholders of the Company	**(50)**	(40)
Profit attributable to non-controlling interests	**(32)**	(26)
Basic and diluted earnings per share (RMB)	**(0.003)**	(0.002)

5 Revenues

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

6 Other revenues

	2011 **RMB million**	*2010* *RMB million* *(restated-Note 4)*
Rendering of transportation and other services	**6,083**	3,527
Sale of ancillary materials and other goods	**1,691**	1,855
Others	**1,985**	1,400
	9,759	6,782

7 Cost of revenues – others

	2011 **RMB million**	*2010* *RMB million* *(restated-Note 4)*
Coal selection and minery fees	**6,450**	5,600
Taxes and surcharges	**1,696**	1,585
Dredging expenses	**405**	555
Relocation compensation expenses	**642**	565
Operating lease charges	**284**	247
Resources compensation fees	**515**	439
Environmental related expenses	**3,524**	1,865
Cost of sale of ancillary materials and other goods, and provision of other services	**2,546**	2,706
Others	**3,473**	1,494
	19,535	15,056

8 Total operating expenses

	2011 **RMB million**	*2010* *RMB million* *(restated-Note 4)*
Personnel expenses, including	**14,117**	11,366
– contributions to retirement plans	**1,587**	1,232
– fair value change on revaluation of share appreciation rights	**(70)**	(20)
Depreciation and amortisation	**15,571**	13,698
Net loss on disposal of property, plant and equipment	**167**	80
Cost of inventories (Note (i))	**112,456**	77,502
Auditors' remuneration, including		
– audit services	**27**	23
– other services	**2**	–
Operating lease charges on properties	**450**	350
Allowance for accounts receivable, other receivables and other non-current assets and write down of inventories	**28**	64
Impairment losses on property, plant and equipment	**–**	184
Impairment losses on other long-term equity investments	**138**	229
Donation (Note (ii))	**625**	487

Notes:

(i) Cost of inventories includes RMB14,922 million (2010: RMB13,079 million as restated) for the year ended 31 December 2011, relating to personnel expenses, depreciation and amortisation, operating lease charges and write down of inventories which amounts are also included in the respective amounts disclosed separately above for each of these types of expenses.

(ii) During the year ended 31 December 2011, the Group made a donation of RMB609 million (2010: RMB356 million as restated) to Shenhua Public Welfare Foundation founded by Shenhua Group.

9 Finance income/(expenses)

	2011 RMB million	*2010 RMB million (restated-Note 4)*
Interest income	**968**	1,248
Gain on remeasurement of derivative financial instruments and trading debt securities	**114**	149
Finance income	**1,082**	1,397
Interest on loans from banks and other financial institutions, and other borrowings	**(3,483)**	(3,969)
Less: Interest expense capitalised*	**352**	789
Net interest expense	**(3,131)**	(3,180)
Foreign exchange loss, net	**(87)**	(465)
Finance expenses	**(3,218)**	(3,645)
Net finance costs	**(2,136)**	(2,248)
* Interest expense was capitalised in construction in progress at the following rates per annum	**L+2.80%; 3.60%-8.28%**	L+2.80%; 3.60%-5.51%

Interest rates comprise fixed rates and floating rates based on the London Interbank Offered Rate ("LIBOR"/"L").

10 Income tax

	2011 RMB million	*2010 RMB million (restated-Note 4)*
Provision for PRC income tax (Note 29(a))	**15,107**	11,217
Deferred taxation (Note 29(b))	**(1,156)**	256
	13,951	11,473

10 Income tax (continued)

A reconciliation of the expected tax expense with the actual tax expense is as follows:

	2011 **RMB million**	*2010* *RMB million* *(restated-Note 4)*
Profit before income tax	**66,460**	55,942
Expected PRC income tax expense at a statutory tax rate of 25% (2010: 25%) (Note (i))	**16,615**	13,986
Tax effect of differential tax rate on branches and subsidiaries' income (Note (i))	**(2,879)**	(3,033)
Tax effect of non-deductible expenses (Note (ii))	**224**	440
Tax effect in respect of share of profits less losses of associates	**(72)**	(123)
Tax effect of tax losses not recognised	**60**	26
Others	**3**	177
Actual tax expense	**13,951**	11,473

Notes:

(i) The provision for PRC current income tax is based on a statutory rate of 25% (2010: 25%) of the assessable profit of the entities comprising the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain subsidiaries of the Company, which are taxed at preferential rates.

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

The applicable tax rates of the subsidiaries established in Australia and Indonesia are 30% (2010: 30%) and 25% (2010: 25%) respectively. No provision for income tax was made for these overseas subsidiaries as there were no assessable profits during the current and prior years.

(ii) Non-deductible expenses mainly represent personnel and other miscellaneous expenses in excess of statutory deductible limits for tax purposes.

11 Directors' and supervisors' emoluments

Details of directors' and supervisors' emoluments are set out below:

	2011					
	Fees RMB million	**Basic salaries, housing and other allowances and benefits in kind RMB million**	**Discretionary bonuses RMB million**	**Retirement scheme contributions RMB million**	**Total RMB million**	**Share appreciation rights (Note (i)) RMB million**
Executive directors						
Zhang Xiwu (Note (ii))	–	–	–	–	–	(3.76)
Zhang Yuzhuo (Note (ii))	–	–	–	–	–	(3.86)
Ling Wen	–	0.43	0.52	0.12	1.07	(2.85)
Han Jianguo* (appointed on 24 May 2011)	–	0.25	0.32	0.07	0.64	(2.85)
Non-executive directors						
Liu Benren (Note (ii))	–	–	–	–	–	–
Xie Songlin (Note (ii))	–	–	–	–	–	–
Independent non-executive directors						
Gong Huazhang	0.45	–	–	–	0.45	–
Fan Hsulaitai	0.45	–	–	–	0.45	–
Guo Peizhang	0.45	–	–	–	0.45	–
Supervisors						
Sun Wenjian (Note (ii))	–	–	–	–	–	–
Tang Ning	–	0.36	0.23	0.08	0.67	–
Zhao Shibin	–	0.47	0.11	0.12	0.70	–
	1.35	1.51	1.18	0.39	4.43	(13.32)

* With effect from 24 May 2011, Han Jianguo has been re-designated from a non-executive director to an executive director.

11 Directors' and supervisors' emoluments (continued)

	2010					
	Fees RMB million	*Basic salaries, housing and other allowances and benefits in kind RMB million*	*Discretionary bonuses RMB million*	*Retirement scheme contributions RMB million*	*Total RMB million*	*Share appreciation rights (Note (i)) RMB million*
Executive directors						
Zhang Xiwu (Note (ii))	–	–	–	–	–	(0.77)
Ling Wen	–	0.39	1.18	0.12	1.69	(0.70)
Zhang Yuzhuo (appointed on 18 June 2010) (Note (ii))	–	–	–	–	–	(0.56)
Non-executive directors						
Han Jianguo (Note (ii))	–	–	–	–	–	(0.60)
Liu Benren (appointed on 18 June 2010) (Note (ii))	–	–	–	–	–	–
Xie Songlin (appointed on 18 June 2010) (Note (ii))	–	–	–	–	–	–
Independent non-executive directors						
Gong Huazhang	0.45	–	–	–	0.45	–
Fan Hsulaitai (appointed on 18 June 2010)	0.26	–	–	–	0.26	–
Guo Peizhang (appointed on 18 June 2010)	0.26	–	–	–	0.26	–
Huang Yicheng (resigned on 18 June 2010)	0.23	–	–	–	0.23	–
Anthony Francis Neoh (resigned on 18 June 2010)	0.23	–	–	–	0.23	–
Chen Xiaoyue (terminated in March 2010)	0.15	–	–	–	0.15	–
Supervisors						
Sun Wenjian (appointed on 18 June 2010) (Note (ii))	–	–	–	–	–	–
Tang Ning (appointed on 18 June 2010)	–	0.19	0.11	0.02	0.32	–
Zhao Shibin (appointed on 18 June 2010)	–	0.16	0.26	0.05	0.47	–
Xu Zufa (resigned on 18 June 2010) (Note (ii))	–	–	–	–	–	(0.70)
Wu Gaoqian (resigned on 18 June 2010)	–	0.16	0.10	0.04	0.30	(0.28)
Li Jianshe (resigned on 18 June 2010)	–	0.10	0.09	0.03	0.22	–
	1.58	1.00	1.74	0.26	4.58	(3.61)

Notes:

(i) These represent the change in the fair value of the share appreciation rights granted to the directors and supervisors under the Company's share appreciation rights scheme. The value of these share appreciation rights is measured according to the Company's accounting policy for share appreciation rights as set out in Note 2(u)(iii).

The details of these benefits, including the principal terms and number of share appreciation rights granted, are disclosed in Note 38.

(ii) Other than the share appreciation rights granted, the emoluments of these directors and supervisors were borne by Shenhua Group during the years ended 31 December 2011 and 2010.

12 Individuals with highest emoluments

Of the five highest paid individuals of the Group, one (2010: one) is director of the Company for the year ended 31 December 2011 whose emoluments are disclosed in Note 11.

The aggregate of the emoluments in respect of the other four (2010: four) individuals are as follows:

	2011 RMB million	*2010 RMB million*
Basic salaries, housing and other allowances and benefits in kind	**1.37**	1.38
Discretionary bonuses	**2.36**	2.39
Retirement scheme contributions	**0.37**	0.38
	4.10	4.15
Share appreciation rights	**(5.63)**	(1.81)

The emoluments of the four (2010: four) individuals with the highest emoluments are within the following band:

	Number of individuals	
	2011	*2010*
HKD1,000,001 to HKD2,000,000	**4**	4

13 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB12,497 million (2010: RMB11,577 million as restated) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2011 RMB million	*2010 RMB million (restated-Note 4)*
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	**12,497**	11,577
Dividends from subsidiaries and associates attributable to the profits of the previous financial year, approved, paid and payable during the year	**10,192**	6,339
	22,689	17,916

Details of dividend paid and payable to equity shareholders of the Company are set out in Note 15.

14 Other comprehensive income

The components of other comprehensive income do not have any significant tax effect for the years ended 31 December 2011 and 2010.

15 Dividends

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

	2011 RMB million	*2010 RMB million*
Final dividend proposed after the end of the reporting period of RMB0.90 (2010: RMB0.75) per ordinary share	**17,901**	14,917

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

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

	2011 RMB million	*2010 RMB million*
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.75 (2010: RMB0.53) per ordinary share	**14,917**	10,541

16 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB45,677 million (2010: RMB38,834 million as restated) and the number of shares in issue during the year of 19,890 million shares (2010: 19,890 million shares).

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

17 Property, plant and equipment, net

The Group

	Land and buildings RMB million	Mining structures and mining rights RMB million	Mining related machinery and equipment RMB million	Generators and related machinery and equipment RMB million	Railway and port structures RMB million	Vessels RMB million	Furniture, fixtures, motor vehicles and other equipment RMB million	Total RMB million
Cost:								
At 1 January 2010 (as previously reported)	24,024	21,376	37,984	75,877	54,297	–	7,376	220,934
Adjustment in relation to the Acquired Entities and Business (Note 20(b))	1,035	1,356	1,037	693	277	–	442	4,840
At 1 January 2010 (as restated)	25,059	22,732	39,021	76,570	54,574	–	7,818	225,774
Exchange adjustment	23	–	–	–	–	–	–	23
Additions	982	2,102	931	144	320	–	812	5,291
Acquisition of a subsidiary	–	–	–	–	–	847	2	849
Transferred from construction in progress	4,563	369	4,978	14,947	2,021	509	873	28,260
Disposals	(79)	(3)	(497)	(63)	(119)	–	(266)	(1,027)
At 31 December 2010 (as restated)	30,548	25,200	44,433	91,598	56,796	1,356	9,239	259,170
Accumulated depreciation and impairment losses:								
At 1 January 2010 (as previously reported)	5,608	3,046	12,423	17,950	14,930	–	3,332	57,289
Adjustment in relation to the Acquired Entities and Business (Note 20(b))	188	266	236	177	41	–	88	996
At 1 January 2010 (as restated)	5,796	3,312	12,659	18,127	14,971	–	3,420	58,285
Charge for the year	1,197	1,006	3,489	4,131	2,519	37	1,078	13,457
Impairment losses (Note (iv))	43	–	31	104	–	–	6	184
Written back on disposals	(23)	(1)	(437)	(62)	(59)	–	(235)	(817)
At 31 December 2010 (as restated)	7,013	4,317	15,742	22,300	17,431	37	4,269	71,109
Net book value:								
At 31 December 2010 (as restated)	23,535	20,883	28,691	69,298	39,365	1,319	4,970	188,061
Cost:								
At 1 January 2011 (as restated)	**30,548**	**25,200**	**44,433**	**91,598**	**56,796**	**1,356**	**9,239**	**259,170**
Exchange adjustment	**(11)**	**–**	**–**	**–**	**–**	**–**	**–**	**(11)**
Additions	**348**	**1,600**	**794**	**77**	**2,327**	**–**	**572**	**5,718**
Acquisition of subsidiaries	**2,445**	**–**	**–**	**6,362**	**–**	**–**	**18**	**8,825**
Transferred from construction in progress	**1,906**	**1,272**	**6,830**	**19,097**	**2,509**	**199**	**877**	**32,690**
Disposals	**(39)**	**(27)**	**(684)**	**(47)**	**(106)**	**–**	**(199)**	**(1,102)**
At 31 December 2011	**35,197**	**28,045**	**51,373**	**117,087**	**61,526**	**1,555**	**10,507**	**305,290**
Accumulated depreciation and impairment losses:								
At 1 January 2011 (as restated)	**7,013**	**4,317**	**15,742**	**22,300**	**17,431**	**37**	**4,269**	**71,109**
Charge for the year	**1,367**	**1,041**	**4,054**	**4,887**	**2,521**	**84**	**1,208**	**15,162**
Written back on disposals	**(11)**	**(27)**	**(595)**	**(30)**	**(74)**	**–**	**(148)**	**(885)**
At 31 December 2011	**8,369**	**5,331**	**19,201**	**27,157**	**19,878**	**121**	**5,329**	**85,386**
Net book value:								
At 31 December 2011	**26,828**	**22,714**	**32,172**	**89,930**	**41,648**	**1,434**	**5,178**	**219,904**

17 Property, plant and equipment, net (continued)

The Company

	Buildings RMB million	Mining structures and mining rights RMB million	Mining related machinery and equipment RMB million	Generators and related machinery and equipment RMB million	Railway and port structures RMB million	Furniture, fixtures, motor vehicles and other equipment RMB million	Total RMB million
Cost:							
At 1 January 2010	6,790	17,012	31,309	–	14,697	2,886	72,694
Additions	51	1,792	427	7	194	252	2,723
Transferred from construction in progress	2,174	369	3,869	1,972	855	333	9,572
Disposals	(121)	(3)	(1,139)	(2)	(477)	(94)	(1,836)
At 31 December 2010	8,894	19,170	34,466	1,977	15,269	3,377	83,153
Accumulated depreciation and impairment losses:							
At 1 January 2010	914	2,751	9,489	–	5,259	1,038	19,451
Charge for the year	285	929	3,054	119	891	345	5,623
Impairment losses (Note (iv))	–	–	31	–	–	6	37
Written back on disposals	(16)	(1)	(549)	(2)	(79)	(83)	(730)
At 31 December 2010	1,183	3,679	12,025	117	6,071	1,306	24,381
Net book value:							
At 31 December 2010	7,711	15,491	22,441	1,860	9,198	2,071	58,772
Cost:							
At 1 January 2011	**8,894**	**19,170**	**34,466**	**1,977**	**15,269**	**3,377**	**83,153**
Additions	**275**	**501**	**596**	**2**	**1,740**	**401**	**3,515**
Transferred from construction in progress	**585**	**837**	**5,492**	**7**	**835**	**266**	**8,022**
Transferred to subsidiaries	**(568)**	**–**	**(4,207)**	**–**	**–**	**(224)**	**(4,999)**
Disposals	**(23)**	**(27)**	**(651)**	**(3)**	**(19)**	**(68)**	**(791)**
At 31 December 2011	**9,163**	**20,481**	**35,696**	**1,983**	**17,825**	**3,752**	**88,900**
Accumulated depreciation and impairment losses:							
At 1 January 2011	**1,183**	**3,679**	**12,025**	**117**	**6,071**	**1,306**	**24,381**
Charge for the year	**394**	**776**	**3,536**	**89**	**877**	**594**	**6,266**
Transferred to subsidiaries	**(103)**	**–**	**(1,441)**	**–**	**–**	**(96)**	**(1,640)**
Written back on disposals	**(5)**	**(27)**	**(578)**	**(3)**	**(18)**	**(53)**	**(684)**
At 31 December 2011	**1,469**	**4,428**	**13,542**	**203**	**6,930**	**1,751**	**28,323**
Net book value:							
At 31 December 2011	**7,694**	**16,053**	**22,154**	**1,780**	**10,895**	**2,001**	**60,577**

17 Property, plant and equipment, net (continued)

Notes:

(i) The Group's freehold land with a carrying amount of RMB1,173 million at 31 December 2011 (2010: RMB1,178 million) is located in Australia. The Group's other property, plant and equipment are mainly located in the PRC.

(ii) The Group was in the process of applying for the title certificates of certain of its properties with an aggregate carrying amount of RMB5,833 million as at 31 December 2011 (2010: RMB5,264 million as restated), of which RMB1,240 million related to newly acquired or constructed properties in 2011. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned properties.

(iii) Certain power plants and mines of the Group were in the process of obtaining requisite permits from the relevant government authorities at 31 December 2011. The directors of the Company are of the opinion that the Group will be able to obtain the requisite permits in due course.

(iv) Certain property, plant and equipment which were obsolete, damaged or that could not generate future economic benefits were provided against for impairment for the year ended 31 December 2010. No impairment loss was recognised for the year ended 31 December 2011.

(v) At 31 December 2011, certain property, plant and equipment with carrying amount of RMB775 million (2010: RMB811 million as restated) were pledged to secure long-term borrowings (see Note 30).

18 Construction in progress

	The Group		***The Company***	
	2011 RMB million	*2010 RMB million (restated-Note 4)*	***2011 RMB million***	*2010 RMB million*
At the beginning of the year	**33,088**	37,049	**4,447**	7,836
Additions	**31,521**	23,905	**10,910**	6,183
Acquisition of subsidiaries	**2,250**	394	**–**	–
Transferred to property, plant and equipment	**(32,690)**	(28,260)	**(8,022)**	(9,572)
Transferred to subsidiaries	**–**	–	**(1,275)**	–
At the end of the year	**34,169**	33,088	**6,060**	4,447

Certain construction projects were in the process of obtaining requisite permits from the relevant government authorities at 31 December 2011. The directors of the Company are of the opinion that the Group will be able to obtain the requisite permits in due course.

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19 Intangible assets

	The Group		The Company	
	2011 RMB million	*2010 RMB million (restated-Note 4)*	**2011 RMB million**	*2010 RMB million*
Exploration rights	**2,515**	2,307	**–**	–
Railway route access	**298**	285	**121**	124
Others	**783**	656	**150**	141
	3,596	3,248	**271**	265

The movement of intangible assets is as follows:

	The Group		The Company	
	2011 RMB million	*2010 RMB million (restated-Note 4)*	**2011 RMB million**	*2010 RMB million*
At the beginning of the year	**3,248**	3,016	**265**	218
Exchange adjustment	**(21)**	63	**–**	–
Additions	**777**	410	**23**	58
Acquisition of subsidiaries	**1**	–	**–**	–
Amortisation	**(409)**	(241)	**(17)**	(11)
At the end of the year	**3,596**	3,248	**271**	265

20 Investments in subsidiaries

	The Company	
	2011 RMB million	*2010 RMB million (restated-Note 4)*
Unlisted shares, at cost	**63,242**	42,426

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20 Investments in subsidiaries (continued)

(a) The Company's subsidiaries are unlisted. The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group:

Name of the Company	*Place of incorporation and operation*	*Type of legal entity*	*Particulars of registered capital*	*% held by the Company*	*Principal activities*
Shenhua Sales Group Co., Ltd	PRC	Limited company	RMB1,205 million	100%	Trading of coal
Shenhua Zhunge'er Energy Co., Ltd.	PRC	Limited company	RMB7,102 million	58%	Coal mining and development; generation and sale of electricity
Shenhua Shendong Coal Group Co., Ltd.	PRC	Limited company	RMB4,548 million	100%	Trading of coal; provision of integrated services
Shenhua Baorixile Energy Industrial Co., Ltd.	PRC	Limited company	RMB1,169 million	57%	Coal mining; provision of transportation services
Shaanxi Guohua Jinjie Energy Co., Ltd.	PRC	Limited company	RMB2,278 million	70%	Generation and sale of electricity; coal mining and development
Shenhua Guohua International Power Co., Ltd.	PRC	Limited company	RMB4,010 million	70%	Generation and sale of electricity
Shenhua Shendong Power Co., Ltd.	PRC	Limited company	RMB2,000 million	100%	Generation and sale of electricity
Guangdong Guohua Yudean Taishan Power Co., Ltd.	PRC	Limited company	RMB2,700 million	80%	Generation and sale of electricity
Zhejiang Guohua Zheneng Power Generation Co., Ltd.	PRC	Limited company	RMB3,255 million	60%	Generation and sale of electricity
Suizhong Power Co., Ltd. (Note (i))	PRC	Limited company	RMB4,029 million	15%	Generation and sale of electricity
Hebei Guohua Cangdong Power Co., Ltd.	PRC	Limited company	RMB1,779 million	51%	Generation and sale of electricity
Hebei Guohua Dingzhou Power Generation Co., Ltd. (Note (ii))	PRC	Limited company	RMB1,561 million	41%	Generation and sale of electricity
Shuohuang Railway Development Co., Ltd.	PRC	Limited company	RMB5,880 million	53%	Provision of transportation services
Shenhua Baoshen Railway Co., Ltd.	PRC	Limited company	RMB1,458 million	88%	Provision of transportation services
Shenhua Huanghua Harbour Administration Co., Ltd.	PRC	Limited company	RMB3,253 million	70%	Provision of harbour and port services

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20 Investments in subsidiaries (continued)

(a) *The Company's subsidiaries are unlisted. The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group: (continued)*

Name of the Company	*Place of incorporation and operation*	*Type of legal entity*	*Particulars of registered capital*	*% held by the Company*	*Principal activities*
Shenhua Zhonghai Shipping Co., Ltd.	PRC	Limited company	RMB2,200 million	51%	Provision of transportation services
Shenhua Finance Co., Ltd. ("Shenhua Finance") (Note (iii))	PRC	Limited company	RMB700 million	81%	Provision of financial services
Shenhua Australia Holding Pty Ltd.	Australia	Limited company	AUD400 million	100%	Coal mining and development; generation and sale of electricity
Shenhua Watermark Coal Pty Ltd. (Note (iv))	Australia	Limited company	AUD350 million	–	Coal mining and development; generation and sale of electricity
PT GH EMM Indonesia	Indonesia	Limited company	USD63 million	70%	Coal mining and development; generation and sale of electricity

Notes:

(i) In addition to 15% equity interest held by the Company, the Company's subsidiary owned 50% equity interest in Suizhong Power Co., Ltd.

(ii) The shareholders of Hebei Guohua Dingzhou Power Generation Co., Ltd. ("Dingzhou Power") offered the Company for the right on appointment of the majority of the board of directors, which made the Company to obtain the control over Dingzhou Power through contractual agreement.

(iii) The Company's subsidiaries owned 18% equity interest in Shenhua Finance.

(iv) The Company's subsidiary owned 100% equity interest in Shenhua Watermark Coal Pty Ltd.

20 Investments in subsidiaries (continued)

(b) Acquisitions from Shenhua Group

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

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

, collectively referred to as the "Acquired Entities and Business".

During the year ended 31 December 2011, the Company has paid RMB8,702 million according to the valuation of the Acquired Entities and Business as at 30 June 2010 (the "valuation date"). The Company has to pay an additional RMB1,614 million to Shenhua Group, being the excess of the net assets as at the completion date of the above acquisition over that of the valuation date, for the Acquired Entities and Business.

As the Group and the Acquired Entities and Business were under common control of Shenhua Group, the acquisition of the Acquired Entities and Business is considered as a combination of entities and business under common control. Accordingly, the assets and liabilities of the Acquired Entities and Business have been accounted for at historical cost and the consolidated financial statements of the Group prior to this acquisition have been restated to include the results of operations of the Acquired Entities and Business on a combined basis. The consideration paid and payable by the Company for the Acquired Entities and Business has been accounted for as an equity transaction in the consolidated statement of changes in equity.

Please refer to Note 4 for the reconciliation of the results of operations for the year ended 31 December 2010 and the financial conditions as at 31 December 2010 previously reported by the Group and the restated amounts presented in these financial statements.

20 Investments in subsidiaries (continued)

(c) Acquisitions from third parties

(i) During the year ended 31 December 2011

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

During the period from the date of acquisition to 31 December 2011, the acquired power entities contributed revenue of RMB912 million and loss of RMB1 million to the Group's result. If the above acquisition had occurred on 1 January 2011, management estimates that consolidated revenue would have been RMB214,639 million, and profit attributable to equity shareholders of the Company would have been RMB45,417 million.

Details of fair values of identifiable assets and liabilities of the acquired power entities as at the date of acquisition were as follows:

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

The goodwill is mainly attributable to the synergies expected to be achieved from integrating the entities into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

20 Investments in subsidiaries (continued)

(c) Acquisitions from third parties (continued)

(ii) During the year ended 31 December 2010

On 25 June 2010, the Group increased its equity interest in Shenhua Zhonghai Shipping Company Limited ("Zhonghai Shipping") from 50% to 51% by additional capital injection of RMB222 million. Prior to the capital injection, Zhonghai Shipping was an associate of the Group.

Details of fair values of identifiable assets and liabilities of Zhonghai Shipping as at 25 June 2010 were as follows:

	RMB million
Non-current assets	1,269
Cash and cash equivalents	695
Other current assets	136
Current liabilities	(189)
Non-current liabilities	(416)
Net assets	1,495
Non-controlling interests	(733)
Fair value of previous interest in the acquiree	(540)
Cash consideration	222

21 Interest in associates

	The Group		***The Company***	
	2011 **RMB million**	*2010 RMB million (restated-Note 4)*	***2011*** **RMB million**	*2010 RMB million (restated-Note 4)*
Unlisted shares, at cost	**–**	–	**1,159**	1,234
Share of net assets	**3,065**	2,818	**–**	–
	3,065	2,818	**1,159**	1,234

The Group's interests in associates are individually and in aggregate not material to the Group's financial condition or results of operations for the year. The Group's associates are unlisted and established in the PRC. The following list contains only the particulars of associates, which principally affected the results or assets of the Group:

21 Interest in associates (continued)

Name of the Company	Type of legal entity	Particulars of registered capital	Ownership interest: % held by the Company	Ownership interest: % held by subsidiaries	Principal activities
Shendong Tianlong Group Co., Ltd.	Limited company	RMB272 million	–	21%	Coal production
Zhejiang Zheneng Jiahua Power Co., Ltd.	Limited company	RMB2,765 million	20%	–	Generation and sale of electricity
Inner Mongolia Jingda Power Co., Ltd.	Limited company	RMB472 million	30%	–	Generation and sale of electricity
Inner Mongolia Menghua Haibowan Power Co., Ltd.	Limited company	RMB280 million	40%	–	Generation and sale of electricity
Tianjin Yuanhua Shipping Co., Ltd.	Limited company	RMB360 million	44%	–	Provision of transportation services
Inner Mongolia Yili Chemical Industry Co., Ltd.	Limited company	RMB1,139 million	–	25%	Production and sale of chemicals

22 Other long-term equity investments

Other long-term equity investments comprise unlisted equity securities. As there is no quoted market price in an active market for these investments, they are stated at cost less impairment losses.

23 Other non-current assets

	The Group		The Company	
	2011 RMB million	*2010 RMB million (restated-Note 4)*	**2011 RMB million**	*2010 RMB million*
Prepayments in connection with construction work, equipment purchases and others (Note (i))	**10,359**	6,166	**7,022**	3,762
Prepayment for mining projects	**4,500**	3,500	**4,500**	2,500
Loans to Shenhua Group and its affiliates (Note (ii))	**3,048**	2,158	**–**	–
Long-term entrusted loans (Note (iii))	**70**	626	**4,071**	3,304
Long-term loan	**–**	–	**–**	972
Goodwill	**614**	–	**–**	–
Others	**155**	155	**–**	–
	18,746	12,605	**15,593**	10,538

(Expressed in Renminbi)

23 Other non-current assets (continued)

Notes:

(i) At 31 December 2011, the Group and the Company had prepayments to affiliates of Shenhua Group amounting to RMB233 million (2010: RMB606 million as restated) and RMB56 million (2010: RMB200 million) respectively.

(ii) The loans to Shenhua Group and its affiliates bear interest at 5.47% to 6.35% per annum (2010: 5.36% to 5.60% per annum as restated) and are receivable within two to nine years.

(iii) The Group has long-term entrusted loan to an associate through a PRC state-owned bank. The loan bears interest at 7.32% per annum (2010: 5.76% per annum) and are receivable within three years.

The Company has long-term entrusted loans to subsidiaries through PRC state-owned banks. The loans bear interest at rates ranging from 4.59% to 6.43% per annum (2010: 4.97% to 5.43% per annum) and are receivable within two to five years.

Included in other non-current assets are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		***The Company***	
	2011 million	*2010 million (restated-Note 4)*	***2011 million***	*2010 million*
Australian Dollars	**–**	–	**–**	AUD150

24 Lease prepayments

Lease prepayments represent land use rights paid to the PRC's governmental authorities. The Group was in the process of applying for the title certificates of certain land use rights with an aggregate carrying amount of RMB1,916 million as at 31 December 2011 (2010: RMB2,069 million as restated), of which RMB161 million were newly acquired in 2011. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned lands.

Lease prepayments of the Group and the Company are mainly with medium-term leases, which their remaining unexpired term as at 31 December 2011 is less than 50 years but more than 10 years.

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25 Inventories

	The Group		The Company	
	2011 RMB million	*2010 RMB million (restated-Note 4)*	**2011 RMB million**	*2010 RMB million*
Coal	**4,969**	4,242	**206**	4,772
Materials and supplies	**6,092**	6,082	**2,909**	3,447
Others (Note)	**1,567**	1,250	**–**	–
	12,628	11,574	**3,115**	8,219

Note: Others mainly represent properties under development.

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	The Group	
	2011 RMB million	*2010 RMB million (restated-Note 4)*
Carrying amount of inventories sold	**112,443**	77,692
Write down of inventories	**13**	28
	112,456	77,720

26 Accounts and bills receivable, net

	The Group		The Company	
	2011 RMB million	*2010 RMB million (restated-Note 4)*	**2011 RMB million**	*2010 RMB million*
Accounts receivable				
Shenhua Group and its affiliates	**608**	351	**349**	270
Subsidiaries	**–**	–	**32,540**	8,107
Associates	**73**	3	**–**	–
Third parties	**11,795**	8,968	**495**	2,190
	12,476	9,322	**33,384**	10,567
Less: allowance for doubtful debts	**(84)**	(81)	**(5)**	(3)
	12,392	9,241	**33,379**	10,564
Bills receivable	**973**	2,183	**299**	1,700
	13,365	11,424	**33,678**	12,264

26 Accounts and bills receivable, net (continued)

Accounts and bills receivable are expected to be recovered within one year.

Credit of up to 60 days is granted to customers with established trading history, otherwise sales on cash terms are required.

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

	The Group		**The Company**	
	2011 RMB million	*2010 RMB million (restated-Note 4)*	**2011 RMB million**	*2010 RMB million*
Current	**13,280**	11,332	**33,678**	12,264
Less than one year past due	**85**	92	**–**	–
	13,365	11,424	**33,678**	12,264

The movement of allowance for doubtful debts was as follows:

	The Group		**The Company**	
	2011 RMB million	*2010 RMB million (restated-Note 4)*	**2011 RMB million**	*2010 RMB million*
At the beginning of the year	**81**	81	**3**	3
Impairment loss recognised	**6**	5	**3**	–
Impairment loss written back	**(3)**	(5)	**(1)**	–
At the end of the year	**84**	81	**5**	3

The ageing analysis of accounts and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	The Group		**The Company**	
	2011 RMB million	*2010 RMB million (restated-Note 4)*	**2011 RMB million**	*2010 RMB million*
Neither past due nor impaired	**13,280**	11,332	**33,678**	12,264
Less than one year past due	**85**	92	**–**	–
	13,365	11,424	**33,678**	12,264

26 Accounts and bills receivable, net (continued)

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Included in accounts and bills receivable are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		***The Company***	
	2011 million	*2010 million (restated-Note 4)*	***2011 million***	*2010 million*
United States Dollars	**USD63**	USD68	**–**	USD68

27 Prepaid expenses and other current assets

	The Group		***The Company***	
	2011 RMB million	*2010 RMB million (restated-Note 4)*	***2011 RMB million***	*2010 RMB million*
Fair value of derivative financial instruments	**467**	480	**467**	480
Trading debt securities	**466**	471	**–**	–
Prepaid expenses and deposits	**2,526**	2,183	**1,018**	870
Loans and advances to Shenhua Group and its affiliates (Note (i))	**4,768**	4,399	**463**	346
Amounts due from associates (Note (ii))	**673**	118	**–**	11
Amounts due from subsidiaries (Note (iii))	**–**	–	**50,787**	24,761
Entrusted loan to a third party (Note (iv))	**–**	3,000	**–**	3,000
Advances to staff	**57**	66	**27**	34
Other receivables	**3,927**	3,533	**680**	360
	12,884	14,250	**53,442**	29,862

(Expressed in Renminbi)

27 Prepaid expenses and other current assets (continued)

Notes:

(i) At 31 December 2011, the Group had loans to Shenhua Group and its affiliates amounting to RMB4,070 million (2010: RMB3,974 million as restated), which bore interest at 5.23% to 5.90% per annum (2010: 3.54% to 5.36% per annum as restated). The remaining balances are unsecured, interest-free and have no fixed terms of repayment.

(ii) At 31 December 2011, the Group had entrusted loans to an associate through a PRC state-owned bank, which bore interest at 6.90% to 7.32% per annum (2010: 5.94% per annum as restated).

(iii) At 31 December 2011, the Company had a loan to an overseas subsidiary amounting to RMB961 million (2010: Nil), which bears interest at L+0.8% per annum and is repayable within one year. The remaining balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

(iv) At 31 December 2010, the Group and the Company had a short-term entrusted loan to a third party through a PRC state-owned bank amounting to RMB3,000 million, which bore interest at 4.00% per annum and was repaid in April 2011.

28 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

Cash and cash equivalents in the statement of financial position and the consolidated statement of cash flows comprise cash at bank and in hand, and time deposits with original maturity within three months.

Included in cash and cash equivalents are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		***The Company***	
	2011 million	*2010 million (restated-Note 4)*	***2011 million***	*2010 million*
United States Dollars	**USD34**	USD8	**–**	–
Hong Kong Dollars	**HKD56**	HKD59	**HKD48**	HKD54
Australian Dollars	**AUD22**	AUD24	**–**	–
Indonesian Rupiah	**IDR43,326**	IDR54,596	**–**	–

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28 Cash and cash equivalents (continued)

(b) Reconciliation of profit before income tax to cash generated from operations:

	2011 **RMB million**	*2010* *RMB million* *(restated-Note 4)*
Profit before income tax	**66,460**	55,942
Adjustments for:		
Depreciation and amortisation	**15,571**	13,698
Impairment losses on property, plant and equipment	**–**	184
Impairment losses on other long-term equity investments	**138**	229
Net loss on disposal of property, plant and equipment	**167**	80
Investment income	**(1)**	(174)
Interest income	**(968)**	(1,248)
Share of profits less losses of associates	**(290)**	(491)
Net interest expense	**3,131**	3,180
Gain on remeasurement of derivative financial instruments and trading debt securities to fair value	**(114)**	(149)
Unrealised foreign exchange (gain)/loss	**(127)**	465
	83,967	71,716
Increase in accounts and bills receivable	**(953)**	(1,947)
Increase in inventories	**(714)**	(3,129)
Increase in prepaid expenses and other assets	**(1,396)**	(3,888)
Increase in accounts and bills payable	**142**	488
Increase in accrued expenses and other payables, long-term payables and accrued reclamation obligations	**3,610**	7,612
Cash generated from operations	**84,656**	70,852

28 Cash and cash equivalents (continued)

(c) Acquisition of subsidiaries

(i) Acquired power entities

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the acquired power entities in 2011 (see Note 20(c)(i)):

	RMB million
Cash and cash equivalents acquired	**151**
Cash consideration paid	**(1,817)**
Net outflow of cash and cash equivalents	**(1,666)**

(ii) Zhonghai Shipping

Analysis of the net inflow of cash and cash equivalents in respect of the acquisition of Zhonghai Shipping in 2010 (see Note 20(c)(ii)):

	RMB million
Cash and cash equivalents acquired	695
Cash consideration paid	(222)
Net inflow of cash and cash equivalents	473

29 Income tax in the statement of financial position

(a) Current taxation in the statement of financial position

	The Group		***The Company***	
	2011 RMB million	*2010 RMB million (restated-Note 4)*	***2011 RMB million***	*2010 RMB million*
Provision for PRC income tax for the year (Note 10)	**15,107**	11,217	**4,318**	2,707
Provisional income tax paid	**(7,182)**	(6,659)	**(1,568)**	(1,281)
	7,925	4,558	**2,750**	1,426

29 Income tax in the statement of financial position (continued)

(b) Deferred tax assets and liabilities

(i) The Group

	At 1 January 2011 RMB million (restated-Note 4)	Recognised in profit or loss RMB million	Recognised in business combination RMB million	At 31 December 2011 RMB million
Allowances, primarily for receivables and inventories	**145**	**(3)**	**–**	**142**
Property, plant and equipment	**(88)**	**258**	**(91)**	**79**
Lease prepayments	**–**	**–**	**(99)**	**(99)**
Tax losses carried forward, net of valuation allowances	**50**	**30**	**–**	**80**
Tax allowable expenses not yet incurred	**(1,715)**	**364**	**–**	**(1,351)**
Unrealised profits from sales within the Group	**180**	**396**	**–**	**576**
Accrued salaries and other expenses not yet paid	**257**	**40**	**–**	**297**
Pre-operating expenses written off	**24**	**(7)**	**–**	**17**
Others	**(17)**	**78**	**–**	**61**
Net deferred tax liabilities	**(1,164)**	**1,156**	**(190)**	**(198)**

	At 1 January 2010 RMB million (restated-Note 4)	Recognised in profit or loss RMB million (restated-Note 4)	Recognised in business combination RMB million (restated-Note 4)	At 31 December 2010 RMB million (restated-Note 4)
Allowances, primarily for receivables and inventories	127	18	–	145
Property, plant and equipment	(174)	60	26	(88)
Tax losses carried forward, net of valuation allowances	78	(28)	–	50
Tax allowable expenses not yet incurred	(1,320)	(395)	–	(1,715)
Unrealised profits from sales within the Group	57	123	–	180
Accrued salaries and other expenses not yet paid	226	31	–	257
Pre-operating expenses written off	43	(19)	–	24
Others	29	(46)	–	(17)
Net deferred tax liabilities	(934)	(256)	26	(1,164)

29 Income tax in the statement of financial position (continued)

(b) Deferred tax assets and liabilities (continued)

(ii) The Company

	At 1 January 2011 RMB million (restated-Note 4)	Recognised in profit or loss RMB million	Acquisition of Acquired Entities and Business RMB million (Note 20(b))	At 31 December 2011 RMB million
Allowances, primarily for receivables and inventories	**71**	**(1)**	**–**	**70**
Property, plant and equipment	**(1)**	**65**	**–**	**64**
Tax allowable expenses not yet incurred	**(1,331)**	**249**	**(55)**	**(1,137)**
Accrued salaries and other expenses not yet paid	**193**	**35**	**–**	**228**
Others	**(106)**	**58**	**–**	**(48)**
Net deferred tax liabilities	**(1,174)**	**406**	**(55)**	**(823)**

	At 1 January 2010 RMB million (restated-Note 4)	*Recognised in profit or loss RMB million (restated-Note 4)*	*At 31 December 2010 RMB million (restated-Note 4)*
Allowances, primarily for receivables and inventories	45	26	71
Property, plant and equipment	(27)	26	(1)
Tax allowable expenses not yet incurred	(1,023)	(308)	(1,331)
Accrued salaries and other expenses not yet paid	140	53	193
Others	(49)	(57)	(106)
Net deferred tax liabilities	(914)	(260)	(1,174)

29 Income tax in the statement of financial position (continued)

(b) Deferred tax assets and liabilities (continued)

(iii) Reconciliation to the statement of financial position

	The Group		The Company	
	2011 RMB million	*2010 RMB million (restated-Note 4)*	**2011 RMB million**	*2010 RMB million (restated-Note 4)*
Net deferred tax assets recognised in the statement of financial position	**933**	468	**–**	–
Net deferred tax liabilities recognised in the statement of financial position	**(1,131)**	(1,632)	**(823)**	(1,174)
	(198)	(1,164)	**(823)**	(1,174)

30 Borrowings

The Group's and the Company's short-term borrowings comprise:

	The Group		The Company	
	2011 RMB million	*2010 RMB million (restated-Note 4)*	**2011 RMB million**	*2010 RMB million*
Borrowings from banks and other financial institutions	**5,011**	8,767	**–**	–
Current portion of long-term borrowings	**11,378**	6,550	**2,160**	1,073
	16,389	15,317	**2,160**	1,073

The Group's short-term borrowings are unsecured and bear interest at rates ranging from 4.37% to 8.20% per annum (2010: 3.12% to 5.31% per annum as restated).

30 Borrowings (continued)

The Group's and the Company's long-term borrowings comprise:

		The Group		The Company	
		2011 RMB million	2010 RMB million (restated-Note 4)	**2011 RMB million**	2010 RMB million
Loans from banks and other financial institutions *					
Renminbi denominated	Interest rates ranging from 3.60% to 8.28% per annum with maturities through 3 February 2028	**48,240**	51,818	**4,630**	4,739
United States Dollars denominated	Interest rates ranging from L+1.00% to L+ 2.80% per annum with maturities through 22 June 2023	**1,731**	1,557	**–**	–
Japanese Yen denominated	Interest rates ranging from 1.80% to 2.60% per annum with maturities through 20 March 2031	**5,420**	5,486	**5,117**	5,486
		55,391	58,861	**9,747**	10,225
Less: current portion of long-term borrowings		**(11,378)**	(6,550)	**(2,160)**	(1,073)
		44,013	52,311	**7,587**	9,152

* At 31 December 2011, the Group and the Company had entrusted loans from Shenhua Group and its affiliates amounting to RMB1,843 million (2010: RMB1,943 million as restated) and RMB1,800 million (2010: RMB1,000 million) respectively.

The long-term borrowings were repayable as follows:

	The Group		The Company	
	2011 RMB million	2010 RMB million (restated-Note 4)	**2011 RMB million**	2010 RMB million
Within one year	**11,378**	6,550	**2,160**	1,073
After one year but within two years	**6,788**	11,530	**1,199**	2,166
After two years but within five years	**14,405**	13,964	**2,465**	2,605
After five years	**22,820**	26,817	**3,923**	4,381
	55,391	58,861	**9,747**	10,225

30 Borrowings (continued)

At 31 December 2011, the long-term borrowings were secured as follows:

	The Group		The Company	
	2011 RMB million	2010 RMB million (restated-Note 4)	**2011 RMB million**	2010 RMB million
Secured	**369**	416	**–**	–
Unsecured	**55,022**	58,445	**9,747**	10,225
	55,391	58,861	**9,747**	10,225

Certain borrowings are secured over certain property, plant and equipment with a carrying value of RMB775 million (2010: RMB811 million as restated) (see Note 17).

Included in borrowings are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2011 million	2010 million (restated-Note 4)	**2011 million**	2010 million
United States Dollars	**USD275**	USD235	**–**	–
Japanese Yen	**JPY66,822**	JPY67,504	**JPY63,091**	JPY67,504

The Group had unsecured banking facilities amounting to RMB63,647 million as at 31 December 2011 (2010: RMB57,313 million as restated). As at 31 December 2011, the unutilised banking facilities amounted to RMB28,353 million (2010: RMB22,635 million as restated). Such banking facilities would be drawn down in accordance with the level of working capital and planned capital expenditure of the Company and its subsidiaries.

31 Accounts and bills payable

	The Group		The Company	
	2011 RMB million	*2010 RMB million (restated-Note 4)*	**2011 RMB million**	*2010 RMB million*
Accounts payable				
Shenhua Group and its affiliates	**383**	109	**48**	31
Associates	**482**	409	**391**	331
Subsidiaries	**–**	–	**215**	4,695
Third parties	**22,739**	19,143	**8,848**	7,932
	23,604	19,661	**9,502**	12,989
Bills payable	**64**	–	**–**	–
	23,668	19,661	**9,502**	12,989

At 31 December 2011, accounts payable of the Group amounting to RMB56 million (2010: RMB20 million as restated) are expected to be settled after one year.

Included in accounts and bills payable are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2011 million	*2010 million (restated-Note 4)*	**2011 million**	*2010 million*
United States Dollars	**USD61**	USD76	**USD45**	USD51
Euros	**EUR5**	EUR12	**EUR5**	EUR12
Australian Dollars	**AUD10**	AUD7	**–**	–
Hong Kong Dollars	**HKD5**	HKD2	**–**	–

32 Accrued expenses and other payables

	The Group		The Company	
	2011 RMB million	*2010 RMB million (restated-Note 4)*	**2011 RMB million**	*2010 RMB million*
Accrued staff wages and welfare benefits	**3,693**	3,406	**2,206**	1,960
Financial liability for share appreciation rights	**2**	75	**2**	75
Accrued interest payable	**255**	175	**123**	66
Taxes payable other than income tax	**4,621**	6,856	**2,412**	4,811
Dividends payable	**2,405**	1,691	**–**	–
Receipts in advances	**4,859**	3,953	**74**	2,501
Consideration payable for the Acquired Entities and Business and the acquired power entities	**2,473**	–	**1,614**	–
Deposits from Shenhua Group and its affiliates (Note (i))	**15,670**	13,091	**–**	–
Amounts due to subsidiaries (Note (ii))	**–**	–	**84,341**	29,514
Other accrued expenses and payables (Note (iii))	**5,318**	7,646	**2,259**	5,679
	39,296	36,893	**93,031**	44,606

Notes:

(i) At 31 December 2011, deposits from Shenhua Group and its affiliates bore interest at 0.40% to 1.49% per annum (2010: 0.36% to 1.35% per annum as restated).

(ii) Amounts due to subsidiaries amounting to RMB82,031 million (2010: RMB29,514 million) are unsecured, bearing interest at 1.31% per annum (2010: 1.17% per annum) and repayable on demand. The remaining balances are unsecured, interest-free and have no fixed term of repayment.

(iii) At 31 December 2011, the Group and the Company had amounts payable to Shenhua Group and its affiliates amounting to RMB2,618 million (2010: RMB385 million as restated) and RMB1,752 million (2010: RMB92 million) respectively. At 31 December 2011, the Group and the Company had amounts payable to associates amounting to RMB39 million (2010: RMB39 million as restated) and RMB1 million (2010: Nil) respectively.

33 Long-term payables

Long-term payables mainly represent payables for acquisition of mining rights which are to be settled over the period of production or under fixed payment schedules set out in the contracts on an annual basis. The annual payment is determined by fixed rates on a per tonne basis with reference to the annual production volume of the acquired mines or annual fixed amounts stipulated in the acquisition agreements.

34 Accrued reclamation obligations

The accrual for reclamation costs has been determined based on management's best estimates. However, so far as the effect on the land from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change in the near term. The Company's board of directors believes that the accrued reclamation obligations at 31 December 2011 are adequate and appropriate. The accrual is necessarily based on estimates and therefore, the ultimate liability may exceed or be less than such estimates.

	The Group		***The Company***	
	2011 RMB million	*2010 RMB million (restated-Note 4)*	***2011 RMB million***	*2010 RMB million*
At the beginning of the year	**1,702**	1,638	**1,060**	1,032
Addition	**112**	16	**14**	–
Accretion expense	**112**	92	**65**	60
Decrease	**(202)**	(44)	**(199)**	(32)
At the end of the year	**1,724**	1,702	**940**	1,060

35 Share capital

	2011 RMB million	*2010 RMB million*
Registered, issued and fully paid:		
16,491,037,955 domestic listed A shares of RMB1.00 each	**16,491**	16,491
3,398,582,500 H shares of RMB1.00 each	**3,399**	3,399
	19,890	19,890

The Company was incorporated on 8 November 2004 with a registered share capital of 15,000,000,000 domestic state-owned ordinary shares with a par value of RMB1.00 each. Such shares were issued to Shenhua Group in consideration for the assets and liabilities transferred from Shenhua Group.

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.

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 ("A Shares Issue").

Following the A Shares Issue and pursuant to the requirements of the relevant authorities, all the 14,691,037,955 domestic state-owned ordinary shares existing before the A Shares Issue (i.e. ordinary shares of the Company held by Shenhua Group) have become circulative. Shenhua Group had undertaken that for a period of 36 months commencing on the date on which the A shares are listed on the Shanghai Stock Exchange, it did not transfer, put on trust or allow any A shares to be repurchased by the Company.

35 Share capital (continued)

Pursuant to CaiQi [2009] No.94 "Policy regarding transfer of certain state-owned shares to Social Security Fund in domestic securities market" and Pronouncement of 2009 No.63 "Notice of implementation of transfer of state-owned shares in domestic securities market" issued by the relevant government authorities on 19 June 2009, 180,000,000 A shares of the Company previously held by Shenhua Group have been transferred to the National Council for Social Security Fund.

The selling restriction period for the 14,511,037,955 A shares held by Shenhua Group was expired on 11 October 2010.

All A shares and H shares rank pari passu in all material aspects.

36 Commitments and contingent liabilities

(a) Capital commitments

As at 31 December 2011, the Group and the Company had capital commitments for land and buildings, equipment and investments as follows:

	The Group		***The Company***	
	2011 RMB million	*2010 RMB million (restated-Note 4)*	***2011 RMB million***	*2010 RMB million*
Authorised and contracted for				
– Land and buildings	**21,231**	19,694	**6,960**	9,846
– Machinery and others	**20,343**	17,538	**6,729**	7,927
– Investment in an associate	**88**	176	**88**	176
	41,662	37,408	**13,777**	17,949
Authorised but not contracted for				
– Land and buildings	**192,565**	79,589	**65,833**	14,397
– Machinery and others	**163,281**	70,556	**90,611**	13,469
	355,846	150,145	**156,444**	27,866
	397,508	187,553	**170,221**	45,815

36 Commitments and contingent liabilities (continued)

(b) Operating lease commitments

Operating lease commitments mainly represent business premises leased through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. As at 31 December 2011, future minimum lease payments under non-cancellable operating leases on business premises having initial or remaining lease terms of more than one year are payable as follows:

	The Group		The Company	
	2011 RMB million	*2010 RMB million (restated-Note 4)*	**2011 RMB million**	*2010 RMB million*
Within one year	**78**	39	**53**	3
After one year but within five years	**51**	61	**10**	1
After five years	**59**	63	**33**	13
	188	163	**96**	17

(c) Financial guarantees issued

(i) The Group

At 31 December 2011, a 57% owned subsidiary of the Group had given a guarantee of RMB207 million (2010: RMB207 million as restated) to a bank consortium for certain banking facility granted to an entity which the Group held less than 20% equity interest.

(ii) The Company

At 31 December 2011, the maximum liability of the Company under guarantees issued in respect of bank loans drawn by a domestic subsidiary of the Company was RMB536 million (2010: RMB746 million).

In addition, the Company has issued a guarantee of USD232 million, approximately RMB1,460 million (2010: USD192 million, approximately RMB1,272 million) to a bank in respect of a 70% owned overseas subsidiary of the Company. Under the guarantee arrangement, the bank provides guarantee to a group of financial institutions for the subsidiary. In addition, the subsidiary provides a counter guarantee to the Company secured by certain of its assets.

(d) Legal contingencies

The Group is the defendant in certain lawsuits as well as the plaintiff in other proceedings arising in the ordinary course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, management believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

36 Commitments and contingent liabilities (continued)

(e) Environmental contingencies

To date, the Group has not incurred any significant expenditures for environmental remediation, is currently not involved in any environmental remediation, and apart from the provision for land reclamation costs, has not accrued any further amounts for environmental remediation relating to its operations. Under the existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The regulatory bodies, however, have moved, and may move further towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination at various sites including, but not limited to coal mines and land development areas, whether operating, closed or sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under future environmental legislation cannot reasonably be estimated at present, and could be material.

37 Related party transactions

(a) Transactions with Shenhua Group and its affiliates, and associates of the Group

The Group is controlled by Shenhua Group and has significant transactions and relationships with Shenhua Group and its affiliates. Related parties refer to enterprises over which Shenhua Group is able to exercise significant influence or control. The Group also has entered into transactions with its associates, over which the Group can exercise significant influence. Because of the above relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

37 Related party transactions (continued)

(a) Transactions with Shenhua Group and its affiliates, and associates of the Group (continued)

(1) The Group had the following transactions with Shenhua Group and its affiliates, and associates of the Group that were carried out in the normal course of business:

		2011 RMB million	*2010 RMB million (restated-Note 4)*
Interest income	(i)	**439**	255
Income from entrusted loans	(ii)	**49**	44
Interest expense	(iii)	**256**	200
Purchases of ancillary materials and spare parts	(iv)	**1,616**	535
Ancillary and social services	(v)	**269**	379
Transportation service income	(vi)	**487**	525
Transportation service expense	(vii)	**58**	599
Sale of coal	(viii)	**5,886**	3,733
Purchase of coal	(ix)	**2,636**	3,003
Property leasing	(x)	**21**	24
Repairs and maintenance services expense	(xi)	**15**	26
Coal export agency expense	(xii)	**33**	48
Income from equipment installation and construction work	(xiii)	**–**	1
Purchase of equipment and construction work	(xiv)	**3,213**	792
Other income	(xv)	**1,209**	395
Granting of loans	(xvi)	**15,408**	5,442
Granting of entrusted loan	(xvii)	**100**	–

(i) Interest income represents interest earned from loans to Shenhua Group and its affiliates. The applicable interest rate is determined in accordance with the prevailing borrowing rates published by the PBOC.

(ii) Income from entrusted loans represents interest earned from entrusted loans to an associate of the Group. The applicable interest rate is determined in accordance with the prevailing bank interest rates published by the PBOC.

(iii) Interest expense represents interest incurred from deposits placed and loans from Shenhua Group and its affiliates. The applicable interest rate is determined in accordance with the prevailing interest rates published by the PBOC.

(iv) Purchases of ancillary materials and spare parts represent purchase of materials and utility supplies from affiliates of Shenhua Group and an associate of the Group related to the Group's operations.

37 Related party transactions (continued)

(a) Transactions with Shenhua Group and its affiliates, and associates of the Group (continued)

(1) The Group had the following transactions with Shenhua Group and its affiliates, and associates of the Group that were carried out in the normal course of business: (continued)

(v) Ancillary and social services represent expenditures for social welfare and support services such as property management, water and electricity supply, and canteen expense paid to affiliates of Shenhua Group and associates of the Group.

(vi) Transportation service income represents income earned from affiliates of Shenhua Group and associates of the Group in respect of coal transportation services.

(vii) Transportation service expense represents expense related to coal transportation service provided by an affiliate of Shenhua Group and associates of the Group.

(viii) Sale of coal represents income from sale of coal to affiliates of Shenhua Group.

(ix) Purchase of coal represents coal purchased from affiliates of Shenhua Group and an associate of the Group.

(x) Property leasing represents rental paid or payable in respect of properties leased from affiliates of Shenhua Group.

(xi) Repairs and maintenance services expense represents expense related to machinery repairs and maintenance services provided by affiliates of Shenhua Group and an associate of the Group.

(xii) Coal export agency expense represents expense related to coal export agency services provided by an affiliate of Shenhua Group.

(xiii) Income from equipment installation and construction work represents equipment installation and construction service provided to an associate of the Group.

(xiv) Purchase of equipment and construction work represents expenditure related to equipment and construction service provided by affiliates of Shenhua Group and an associate of the Group.

(xv) Other income includes agency income, repairs and maintenance service income, sales of ancillary materials and spare parts, management fee income, sales of water and electricity, financial service income, etc.

(xvi) Granting of loans represents loans granted to Shenhua Group and its affiliates.

(xvii) Granting of entrusted loan represents an entrusted loan granted to an associate of the Group.

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business, on normal commercial terms and in accordance with the agreements governing such transactions.

37 Related party transactions (continued)

(a) Transactions with Shenhua Group and its affiliates, and associates of the Group (continued)

(2) The Group entered into a number of agreements with Shenhua Group and its affiliates, and associates of the Group. The terms of the principal agreements are summarised as follows:

(i) The Group has entered into a mutual supply agreement for the mutual provision of production supplies and ancillary services with affiliates of Shenhua Group. Pursuant to the agreement, affiliates of Shenhua Group provides the Company with the production supplies and services, ancillary production services including the use of the information network system and ancillary administrative services. On the other hand, the Company provides the affiliates of Shenhua Group with water supplies, rolling stock management, railway management, railway transportation and other related or similar production supplies or services and use of the information network system.

The products and services provided under the agreement, other than the sharing of use of the information network system which is free of charge, are provided in accordance with the following pricing policy:

- price prescribed by the state (including any price prescribed by any relevant local government), if applicable;
- where there is no state-prescribed price but where there is a state-guidance price, then the state-guidance price;
- where there is neither a state-prescribed price nor a state-guidance price, the market price; or
- where none of the above is applicable or where it is not practical to apply the above pricing policies in reality, the price to be agreed between the relevant parties shall be based on reasonable costs incurred in providing the goods or services plus a profit margin of 5% of such costs.

(ii) The Group has entered into coal supply agreements with affiliates of Shenhua Group and associates of the Group. The coal supplied is charged at the prevailing market price.

(iii) The Group, through Shenhua Finance, has entered into a financial services agreement with Shenhua Group and its affiliates. Pursuant to the agreement, Shenhua Finance provides financial services to Shenhua Group and its affiliates. The interest rate for the deposits with Shenhua Finance from Shenhua Group and its affiliates should not be lower than the lowest limit published by the PBOC for the same type of deposit. The interest rate for loans made by Shenhua Finance to Shenhua Group and its affiliates should not be higher than the highest limit published by the PBOC for the same type of loan. The above interest rates should be determined by reference to the rate charged by normal commercial banks in the PRC for comparable deposits and loans on normal commercial terms. The fees charged by Shenhua Finance for the provision of other financial services shall be determined according to the rates chargeable by the PBOC or the China Banking Regulatory Commission.

37 Related party transactions (continued)

(a) Transactions with Shenhua Group and its affiliates, and associates of the Group (continued)

(2) The Group entered into a number of agreements with Shenhua Group and its affiliates, and associates of the Group. The terms of the principal agreements are summarised as follows: (continued)

(iv) The Group has entered into a property leasing agreement with affiliates of Shenhua Group for leasing of certain properties to each other. No rent is payable by the Company before the affiliates of Shenhua Group obtains the relevant property ownership certificate. The rental charges are based on comparable market rates. If the affiliates of Shenhua Group negotiate to sell a leased property to a third party, the Company has a pre-emptive right to purchase such property under terms no less favourable than other third party.

(v) The Group has entered into a land leasing agreement with affiliates of Shenhua Group. The annual rent is determined based on the local market rate. The Group is not allowed to sub-let the leased land.

(vi) The Group has entered into an agency agreement for the export of coal with an affiliate of Shenhua Group. The affiliate of Shenhua Group is appointed as a non-exclusive export agent of the Company and is entitled to receive an agency fee based on the relevant market rates or lower rates. Currently, the rate is 0.7% of the free on board sales price of price of coal exported.

(vii) The Group entered into an agency agreement for the sale of coal with affiliates of Shenhua Group. The Group is appointed as the exclusive sales agent of affiliates of Shenhua Group for thermal coal and non-exclusive sales agent for coking coal. The Group is entitled to receive an agency fee, which is based on its related costs incurred plus a profit margin of 5% for sales of coal outside the Inner Mongolia Autonomous Region. No agency fee is charged for sales of coal within the Inner Mongolia Autonomous Region.

(viii) The Group has entered into agreements with affiliates of Shenhua Group under which the Group has been granted the right to use certain trademarks. Affiliates of Shenhua Group bear its own cost for the registration of such trademarks during the term of the trademarks license agreement and expenses for enforcement against any infringement of the licensed trademarks by third parties.

37 Related party transactions (continued)

(a) Transactions with Shenhua Group and its affiliates, and associates of the Group (continued)

Amounts due from/to Shenhua Group and its affiliates, and associates of the Group:

	Note	**2011 RMB million**	2010 RMB million (restated-Note 4)
Accounts and bills receivable, net	26	**681**	354
Prepaid expenses and other current assets	27	**6,080**	5,154
Other non-current assets	23	**3,388**	3,430
		10,149	8,938
Less: allowance for doubtful debts		**(210)**	(206)
Total amounts due from Shenhua Group and its affiliates, and associates of the Group, net		**9,939**	8,732
Borrowings	30	**1,843**	1,943
Accounts payable	31	**865**	518
Accrued expenses and other payables	32	**18,327**	13,515
Total amounts due to Shenhua Group and its affiliates, and associates of the Group		**21,035**	15,976

Other than those disclosed in Notes 37(a)(1)(i), 37(a)(1)(ii) and 37(a)(1)(iii) above, amounts due from/to Shenhua Group and its affiliates, and associates of the Group bear no interest, are unsecured and are repayable in accordance with normal commercial terms.

(b) Key management personnel emoluments

Key management personnel receive compensation in the form of fees, basic salaries, housing and other allowances, benefits in kind, discretionary bonuses, share appreciation rights and retirement scheme contributions.

Key management personnel compensation of the Group is summarised as follows:

	2011 RMB million	2010 RMB million
Short-term employee benefits	**9**	8
Post-employment benefits	**1**	1
	10	9
Fair value gain on revaluation of share appreciation rights	**(30)**	(6)

Total remuneration is included in "personnel expenses" as disclosed in Note 8.

37 Related party transactions (continued)

(c) Contributions to post-employment benefit plans

The Group participates in various defined contribution post-employment benefit plans organised by municipal and provincial governments for its employees. Further details of the Group's post-employment benefit plans are disclosed in Note 38.

(d) Transactions with other state-controlled entities in the PRC

The Company is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government ("state-controlled entities") through its government authorities, agencies, affiliations and other organisations.

Other than those transactions with Shenhua Group and its affiliates, and associates of the Group as disclosed above, the Group conducts certain business activities with other state-controlled entities which include but are not limited to the following:

- Power sales;
- Sales and purchases of coal;
- Transportation services;
- Construction work;
- Purchases of ancillary materials and spare parts;
- Ancillary and social services; and
- Financial services arrangements.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled. The Group has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are state-controlled entities or not.

Having considered the potential for transactions to be impacted by related party relationships, the Group's buying, pricing strategy and approval processes, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the directors are of the opinion that the following transactions with other state-controlled entities require disclosure:

(i) Transactions with other state-controlled entities, including state-controlled banks in the PRC

	2011 **RMB million**	*2010* *RMB million* *(restated-Note 4)*
Coal revenue	**92,257**	64,208
Power revenue	**57,256**	44,335
Transportation costs	**14,107**	6,656
Interest income	**968**	1,284
Interest expenses	**3,238**	3,727

37 Related party transactions (continued)

(d) Transactions with other state-controlled entities in the PRC (continued)

(ii) Balances with other state-controlled entities, including state-controlled banks in the PRC

	2011 RMB million	*2010 RMB million (restated-Note 4)*
Accounts receivable	**8,007**	6,865
Prepaid expenses and other current assets	**–**	3,000
Cash and time deposits at banks	**64,782**	80,158
Restricted bank deposits	**3,997**	2,052
Borrowings	**56,652**	65,685
Accrued expenses and other payables	**798**	415

38 Employee benefits plan

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at 20% of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above. The Group's contributions for the year ended 31 December 2011 were RMB1,587 million (2010: RMB1,232 million as restated).

On 19 November 2005, the Company's Board of Directors approved a scheme of share appreciation rights for the senior management of the Group with a term of 10 years with effect from 15 June 2005. No shares will be issued under this scheme. The rights were granted in units with each unit representing one H share of the Company.

The rights to the units will have an exercise period of six years from the date of grant and can be exercised after the second, third and fourth anniversary of the date of grant and the total number of the rights exercised by an individual may not in aggregate exceed one-third, two-thirds and 100% respectively, of the total rights granted to the individual.

Upon exercise of the said rights, the exercising participant will, subject to the restrictions under the scheme, receive a payment in RMB, after deducting any applicable withholding tax, equal to the product of the number of rights exercised and the difference between the exercise price and market price of the H shares of the Company at the time of exercise. The exercise price of granted share appreciation rights as approved by the Board of Directors outstanding as at 31 December 2011 is HKD11.80 or HKD33.80 (2010: HKD7.90, HKD11.80 or HKD33.80) depending on the grant date.

The fair value of the financial liability for share appreciation rights was remeasured as at 31 December 2011 of RMB2 million (2010: RMB75 million) and a gain of RMB70 million (2010: RMB20 million) was recognised for the year ended 31 December 2011.

(Expressed in Renminbi)

38 Employee benefits plan (continued)

The number of granted share appreciation rights outstanding is set out below:

	2011 Million shares	*2010 Million shares*
At the beginning of the year	**5.9**	6.1
Exercised during the year	**(0.7)**	(0.1)
Forfeited during the year	**(3.2)**	(0.1)
At the end of the year	**2.0**	5.9

39 Segment and other information

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments. No operating segments have been aggregated to form the following reportable segments.

(1) Coal operations – which produces coal from surface and underground mines, and the sale of coal to external customers and the power segment. The Group primarily sells its coal under long-term coal supply contracts which typically allow the parties to make annual price adjustments.

(2) Power operations – which uses coal, sourced from the coal mining segment and purchased from external suppliers, to generate electric power for sale to external power grid companies and to the coal segment. Electric power is sold to the power grid companies in accordance with planned power output at the tariff rates as approved by the relevant government authorities. Electric power produced in excess of the planned power output is sold at the tariff rate as agreed upon with the respective power grid companies which are generally lower than the tariff rates for planned power output.

(3) Railway operations – which provides railway transportation services to the coal mining segment and external customers. The rates of freight charges billed to the coal mining segment and external customers are consistent and do not exceed the maximum amounts approved by the relevant government authorities.

(4) Port operations – which provides loading, transportation and storage services to the coal mining segment and external customers. The Group charges service fees and other expenses, which are reviewed and approved by the relevant government authorities.

(5) Shipping operations – which provides shipment transportation services to the power segment, the coal mining segment and external customers. The rates of freight charges billed to the power segment, the coal mining segment and external customers are consistent.

39 Segment and other information (continued)

(a) Segment results

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2011 and 2010 is set out below.

	Coal		Power		Railway		Port		Shipping		Total	
	2011 RMB million	2010 RMB million (restated-Note 4)	**2011 RMB million**	2010 RMB million (restated-Note 4)	**2011 RMB million**	2010 RMB million (restated-Note 4)	**2011 RMB million**	2010 RMB million (restated-Note 4)	**2011 RMB million**	2010 RMB million (restated-Note 4)	**2011 RMB million**	2010 RMB million (restated-Note 4)
Revenue from external customers	**142,718**	108,774	**58,845**	45,194	**2,745**	2,285	**147**	152	**2,961**	902	**207,416**	157,307
Inter-segment revenue	**29,600**	22,875	**395**	336	**20,181**	19,021	**2,673**	2,448	**2,138**	659	**54,987**	45,339
Reportable segment revenue	**172,318**	131,649	**59,240**	45,530	**22,926**	21,306	**2,820**	2,600	**5,099**	1,561	**262,403**	202,646
Reportable segment profit before income tax	**46,593**	39,149	**7,940**	5,947	**9,626**	8,880	**520**	270	**670**	143	**65,349**	54,389
Including:												
Net interest expense	**(504)**	(470)	**(2,293)**	(2,400)	**(345)**	(347)	**(231)**	(230)	**(22)**	(9)	**(3,395)**	(3,456)
Depreciation and amortisation	**(6,483)**	(5,654)	**(6,163)**	(5,218)	**(2,108)**	(2,031)	**(676)**	(675)	**(85)**	(37)	**(15,515)**	(13,615)
Share of profits less losses of associates	**199**	266	**58**	138	**–**	–	**6**	7	**–**	–	**263**	411

39 Segment and other information (continued)

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

	2011 RMB million	2010 RMB million (restated-Note 4)
Revenues		
Reportable segment revenue	**262,403**	202,646
Elimination of inter-segment revenue	**(54,987)**	(45,339)
Unallocated head office and corporate items	**781**	355
Consolidated revenues	**208,197**	157,662
Profit		
Reportable segment profit	**65,349**	54,389
Elimination of inter-segment profits	**(298)**	(139)
Unallocated head office and corporate items	**1,409**	1,692
Consolidated profit before income tax	**66,460**	55,942

(c) Geographical information

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

	Revenue from external customers		Specified non-current assets	
	2011 RMB million	2010 RMB million (restated-Note 4)	2011 RMB million	2010 RMB million (restated-Note 4)
Asia Pacific markets				
– PRC (place of domicile)	**204,691**	151,850	**286,387**	246,903
– Other Asia Pacific markets	**3,506**	5,732	**5,820**	5,299
Other markets	**–**	80	**–**	–
	208,197	157,662	**292,207**	252,202

For the purpose of revenues from external customers, other Asia Pacific markets represent customers which are located outside the PRC and primarily to customers in Korea and Japan. Other markets represent customers which are located outside the PRC and the Asia Pacific region.

39 Segment and other information (continued)

(d) Major customer

Revenue from any individual customer of the Group does not exceed 10% of the Group's total operating revenues. Certain of the Group's customers are state-controlled entities in the PRC and collectively considered as the Group's major customer. Revenue from major customer of the Group's coal and power segments represents RMB149,513 million (2010: RMB108,543 million as restated) of the Group's total operating revenues.

(e) Other information

Certain other information of the Group's segments for the years ended 31 December 2011 and 2010 is set out below:

	Coal		Power		Railway		Port		Shipping		Unallocated items		Eliminations		Total	
	2011 RMB million	2010 RMB million (restated- Note 4)	**2011 RMB million**	2010 RMB million (restated- Note 4)	**2011 RMB million**	2010 RMB million (restated- Note 4)	**2011 RMB million**	2010 RMB million (restated- Note 4)	**2011 RMB million**	2010 RMB million (restated- Note 4)	**2011 RMB million**	2010 RMB million (restated- Note 4)	**2011 RMB million**	2010 RMB million (restated- Note 4)	**2011 RMB million**	2010 RMB million (restated- Note 4)
Coal purchased	**45,753**	26,437	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**45,753**	26,437
Cost of coal production	**33,500**	26,853	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**(10,905)**	(7,953)	**22,595**	18,900
Cost of coal transportation	**35,824**	29,565	**-**	–	**10,263**	9,484	**1,726**	1,715	**1,835**	571	**-**	–	**(31,264)**	(27,339)	**18,384**	13,996
Power cost	**-**	–	**46,131**	34,856	**-**	–	**-**	–	**-**	–	**-**	–	**(12,552)**	(10,025)	**33,579**	24,831
Others	**2,909**	3,211	**584**	475	**1,639**	1,389	**107**	121	**2,542**	782	**-**	–	**-**	–	**7,781**	5,978
Total cost of revenues	**117,986**	86,066	**46,715**	35,331	**11,902**	10,873	**1,833**	1,836	**4,377**	1,353	**-**	–	**(54,721)**	(45,317)	**128,092**	90,142
Profit/(loss) from operations	**46,809**	39,142	**10,087**	8,171	**9,896**	9,690	**729**	512	**681**	150	**412**	(51)	**(309)**	(89)	**68,305**	57,525
Capital expenditure (Note (i))	**15,789**	13,820	**6,657**	9,511	**11,816**	4,926	**2,386**	802	**1,106**	589	**344**	406	**-**	–	**38,098**	30,054
Total assets (Note (ii))	**210,234**	169,373	**139,622**	122,001	**65,447**	48,147	**12,930**	10,302	**4,101**	2,159	**266,833**	197,861	**(298,090)**	(177,712)	**401,077**	372,131
Total liabilities (Note (ii))	**(106,981)**	(96,418)	**(91,233)**	(85,212)	**(33,074)**	(21,559)	**(6,386)**	(4,981)	**(742)**	(534)	**(137,244)**	(101,155)	**238,897**	175,155	**(136,763)**	(134,704)

Notes:

(i) Segment capital expenditure is the total cost incurred during the year to acquire and construct segment assets that are expected to be used for more than one year.

(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.

40 Capital and reserves

(a) Shareholders' equity of the Company

	Share capital RMB million (Note 35)	Share premium RMB million	Statutory reserves RMB million	Capital and other reserves RMB million	Retained earnings RMB million	Total RMB million
At 1 January 2010 (as previously reported)	19,890	85,001	13,354	270	40,482	158,997
Change in accounting policy (Note 2(c))	–	–	–	400	1,354	1,754
At 1 January 2010 (as restated)	19,890	85,001	13,354	670	41,836	160,751
Total comprehensive income:						
Profit for the year	–	–	–	–	17,916	17,916
Total comprehensive income for the year	–	–	–	–	17,916	17,916
Other movements:						
Dividend declared (Note 15(b))	–	–	–	–	(10,541)	(10,541)
Appropriation of maintenance and production funds (Note)	–	–	2,822	–	(2,822)	–
Utilisation of maintenance and production funds (Note)	–	–	(2,039)	–	2,039	–
Sub-total	–	–	783	–	(11,324)	(10,541)
At 31 December 2010 (as restated)	19,890	85,001	14,137	670	48,428	168,126
At 1 January 2011 (as restated)	**19,890**	**85,001**	**14,137**	**670**	**48,428**	**168,126**
Total comprehensive income:						
Profit for the year	**–**	**–**	**–**	**–**	**22,689**	**22,689**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**22,689**	**22,689**
Other movements:						
Dividend declared (Note 15(b))	**–**	**–**	**–**	**–**	**(14,917)**	**(14,917)**
Appropriation of maintenance and production funds (Note)	**–**	**–**	**3,015**	**–**	**(3,015)**	**–**
Utilisation of maintenance and production funds (Note)	**–**	**–**	**(2,253)**	**–**	**2,253**	**–**
Adjustment of consideration for the Acquired Entities and Business (Note 20(b))	**–**	**–**	**–**	**(4,461)**	**–**	**(4,461)**
Sub-total	**–**	**–**	**762**	**(4,461)**	**(15,679)**	**(19,378)**
At 31 December 2011	**19,890**	**85,001**	**14,899**	**(3,791)**	**55,438**	**171,437**

Note: Please refer to Note (iii) to consolidated statement of changes in equity for details.

40 Capital and reserves (continued)

(a) Shareholders' equity of the Company (continued)

According to the Company's Articles of Association, the amount of retained earnings available for distribution to equity shareholders of the Company is the lower of the amount determined in accordance with the China Accounting Standards and the amount determined in accordance with IFRSs after the appropriation to reserves as detailed in Note (iii) to the consolidated statement of changes in equity.

At 31 December 2011, the aggregate amount of retained earnings determined in accordance with the China Accounting Standards available for distribution to equity shareholders of the Company was RMB51,854 million (2010: RMB44,701 million). After the end of the reporting period, the directors proposed a final dividend of RMB0.90 per share (2010: RMB0.75 per share), amounting to RMB17,901 million (2010: RMB14,917 million) (Note 15(a)). This dividend has not been recognised as a liability at the end of the reporting period.

(b) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares to reduce debts.

The Group monitors capital using a gearing ratio which is total liabilities divided by total assets. The Group aims to maintain the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2011 was 34% (2010: 36% as restated).

There were no changes in the Group's approach to capital management compared with previous years. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

41 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group and the Company are also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's and the Company's exposure to these risks and the financial risk management policies and practices used by the Group and the Company to manage these risks are described below.

(a) Credit risk

The carrying amounts of cash and cash equivalents, time deposits, restricted bank deposits, accounts and bills receivable, other receivables and other non-current assets represent the Group's and the Company's maximum exposure to credit risk in relation to these financial assets. Substantially all of the Group's and the Company's cash and cash equivalents and deposits are held in major financial institutions located in the PRC, which management believes are of high credit quality. The Group's and the Company's major customers are power plants, metallurgical companies and power grid companies, which accounted for significant amounts of the Group's and the Company's total operating revenues during the year. The Group and the Company have no significant credit risk with any of these customers since the Group and the Company maintain long-term and stable business relationships with these large customers in the coal and power industries. The Group and the Company perform ongoing individual credit evaluations of its customers' financial condition and generally does not require collateral on accounts receivable. The allowance for doubtful debts has been within management's expectations.

Except for the financial guarantees given by the Company as set out in Note 36(c), the Group and the Company do not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 36(c).

(b) Currency risk

(i) Exposure

The Group and the Company incur foreign currency risk on borrowings that are denominated in a currency other than RMB. The currency giving rise to this risk is primarily Japanese Yen and United States Dollars. The Group's and the Company's Japanese Yen and United States Dollars borrowings are disclosed in Note 30.

(ii) Sensitivity analysis

At 31 December 2011, it is estimated that a general increase/decrease in foreign exchange rates by 2%, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained earnings by approximately RMB107 million (2010: RMB105 million).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained earnings that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2010.

41 Financial risk management and fair values (continued)

(c) Interest rate risk

(i) Exposure

The interest rates and terms of repayment of the Group's and the Company's loan receivables and borrowings are disclosed in Notes 23 and 30. Most of the borrowings are variable rate borrowings.

(ii) Sensitivity analysis

Financial assets

At 31 December 2011, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained earnings by approximately RMB504 million (2010: RMB616 million as restated).

Financial liabilities

At 31 December 2011, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained earnings by approximately RMB458 million (2010: RMB496 million as restated).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained earnings that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to remeasure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax and retained earnings is estimated as an annualised impact on interest income or expense of such a change in the interest rates. The analysis is performed on the same basis for 2010.

(d) Fair values

(i) Financial instruments carried at fair value

Financial asset for interest rate swaps and trading debt securities, and financial liability for share appreciation rights are carried at fair value.

The estimated fair value amounts have been determined by the Group using market information and valuation methodologies considered appropriate. However, considerable judgement is required to interpret market data to develop the estimates of fair values. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group and the Company could realise in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The fair value of the interest rate swaps are based on discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument having a similar maturity at the end of the reporting period.

41 Financial risk management and fair values (continued)

(d) Fair values (continued)

(i) Financial instruments carried at fair value (continued)

The fair value of the trading debt securities are based on quoted market prices at the end of the reporting period.

The fair value of the financial liability for share appreciation rights are measured by using the Black-Scholes option pricing model. The risk free rate, dividend yield and volatility of share price are used as the inputs into this model.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2011 and 2010.

The fair values of long-term borrowings and long-term payables are estimated by discounting future cash flows using current market interest rates offered to the Group and the Company for borrowings with substantially the same characteristics and maturities.

The fair values of all other financial assets and liabilities approximate their carrying amounts due to the nature or short-term maturity of these instruments.

(e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligation as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Group's reputation.

The Group closely monitors cash flow requirements and optimising its cash return. The Group prepares cash flow forecasts and ensures it has sufficient cash for the servicing of operation, financial, and capital obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

41 Financial risk management and fair values (continued)

(e) Liquidity risk (continued)

	2011					
	Carrying amount RMB million	**Total contractual undiscounted cash flow RMB million**	**Within 1 year or on demand RMB million**	**More than 1 year but less than 2 years RMB million**	**More than 2 years but less than 5 years RMB million**	**More than 5 years RMB million**
Borrowings	**60,402**	**72,259**	**19,402**	**9,048**	**19,359**	**24,450**
Accounts and bills payable, accrued expenses and other payables	**53,484**	**53,484**	**53,428**	**47**	**9**	**–**
	113,886	**125,743**	**72,830**	**9,095**	**19,368**	**24,450**

	2010					
	Carrying amount RMB million (restated-Note 4)	Total contractual undiscounted cash flow RMB million (restated-Note 4)	Within 1 year or on demand RMB million (restated-Note 4)	More than 1 year but less than 2 years RMB million (restated-Note 4)	More than 2 years but less than 5 years RMB million (restated-Note 4)	More than 5 years RMB million (restated-Note 4)
Borrowings	67,628	79,886	17,058	13,941	17,032	31,855
Accounts and bills payable, accrued expenses and other payables	45,745	45,745	45,725	8	12	–
	113,373	125,631	62,783	13,949	17,044	31,855

(f) Equity price risk

All of the Group's and the Company's unquoted investment are held for long-term strategic purposes. Their performance is assessed at least annually based on the information available to the Group and the Company, together with an assessment of their relevance to the Group's long-term strategic plans.

42 Subsequent events

The following significant transactions took place subsequent to 31 December 2011:

On 23 March 2012, the Board of Directors proposed a final dividend of RMB0.90 per ordinary share totalling RMB17,901 million to the equity shareholders of the Company. Further details are disclosed in Note 15(a).

(Expressed in Renminbi)

43 Comparative figures

Certain comparative figures have been adjusted or re-classified as a result of the acquisition of the Acquired Entities and Business and the change in accounting policy. Further details are disclosed in Note 4.

44 Immediate and ultimate controlling party

At 31 December 2011, the directors consider the immediate parent and ultimate controlling party of the Group to be Shenhua Group Corporation Limited, a state-owned enterprise established in the PRC.

45 Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting year ended 31 December 2011

Up to the date of issue of these financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Amendment to IFRS 1, *First-time adoption of International Financial Reporting Standards – Severe hyperinflation and removal of fixed dates for first-time adopters*	1 July 2011
Amendments to IFRS 7, *Financial Instruments: Disclosures – Transfers of financial assets*	1 July 2011
Amendments to IAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*	1 January 2012
Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
IFRS 10, *Consolidated financial statements*	1 January 2013
IFRS 11, *Joint arrangements*	1 January 2013
IFRS 12, *Disclosure of interests in other entities*	1 January 2013
IFRS 13, *Fair value measurement*	1 January 2013
IAS 27, *Separate financial statements (2011)*	1 January 2013
IAS 28, *Investments in associates and joint ventures*	1 January 2013
Revised IAS 19, *Employee benefits*	1 January 2013
IFRIC 20, *Stripping costs in the production phase of a surface mine*	1 January 2013
Amendments to IFRS 7, *Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities*	1 January 2013
Amendments to IAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
IFRS 9, *Financial instruments*	1 January 2015
Amendments to IFRS 9, *Financial instruments* and IFRS 7, *Financial instruments: Disclosures – Mandatory effective date and transition disclosures*	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's or the Company's results of operations and financial position.

Documents Available for Inspection

1. The annual report for the year 2011 signed by the legal representative;

2. The annual financial statements signed and sealed by the legal representative, the Chief Financial Officer and the General Manager of the Financial Department;

3. The original copy of the auditor's report sealed by the accounting firm and signed and sealed by the certified public accountant;

4. The original copies of all documents and announcements of the Company publicly disclosed in the newspapers designated by the CSRC during the reporting period;

5. The annual report for the year 2011 published on the stock exchanges in places of listing in the PRC and overseas.

Zhang Xiwu
Chairman
China Shenhua Energy Company Limited

23 March 2012

Signing Page for Opinions

Written Confirmation to the 2011 Annual Report

Article 68 of the Securities Law of the People's Republic of China requires that the directors of a listed company shall sign a written confirmation to its regular report, and guarantee the truthfulness, accuracy and completeness of the information disclosed by the listed company.

Article 15 of the Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 – The Contents and Formats of Annual Report (Revised edition 2007) requires that the board of directors of a listed company and its directors shall guarantee the truthfulness, accuracy and completeness of the content of its annual report and warrant that the report does not contain any false representation, misleading statement or material omission, and shall jointly and severally accept full responsibility for this warrant. If there is any director who is unable to guarantee the truthfulness, accuracy and completeness of the interim report or disagrees with the content of the annual report, his reasons and opinion shall be stated separately. The name of any absent director shall be listed separately.

Having fully understood and reviewed the 2011 Annual Report of the Company, the Board and all Directors are of the opinion that information disclosed in the 2011 Annual Report is true, accurate and complete. We hereby guarantee that the information stated in this report does not contain any false representation, misleading statement or material omission, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the content thereof.

Signature of all Directors of the Company:

Zhang Xiwu	Zhang Yuzhuo
Ling Wen	Han Jianguo
Fan Hsu Lai Tai	Gong Huazhang
Liu Benren	Xie Songlin
Guo Peizhang	

China Shenhua Energy Company Limited

23 March 2012

Written Review Opinion on the 2011 Annual Report

Article 68 of the Securities Law of the People's Republic of China requires that the supervisory committee of a listed company shall review the regular report prepared by the board of directors and provide a written review opinion.

Article 15 of the Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 – The Contents and Formats of Annual (Revised edition 2007) requires that the supervisory committee of a listed company and its supervisors shall guarantee the truthfulness, accuracy and completeness of the content of the annual report and warrant that the report does not contain any false representation, misleading statement or material omission, and shall jointly and severally accept full responsibility for this warrant. If there is any supervisor who is unable to guarantee the truthfulness, accuracy and completeness of the annual report or disagrees with the content of the annual report, his reasons and opinion shall be stated separately.

Having fully understood and reviewed the 2011 Annual Report of the Company, the supervisory committee and all supervisors are of the opinion that information disclosed in the 2011 Annual Report is true, accurate and complete. The supervisory committee and all supervisors hereby warrant that the information stated in this report does not contain any false representation, misleading statement or material omission, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the content thereof.

Signature of all supervisors of the Company:

Sun Wenjian

Tang Ning

Zhao Shibin

China Shenhua Energy Company Limited
23 March 2012

Written Confirmation to the 2011 Annual Report

Article 68 of the Securities Law of the People's Republic of China requires that the senior management of a listed company shall sign a written confirmation to its regular report, and guarantee the truthfulness, accuracy and completeness of the information disclosed by the listed company.

Article 15 of the Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 – The Contents and Formats of Annual Report (Revised edition 2007) requires that senior management of a listed company shall guarantee the truthfulness, accuracy and completeness of the content of its annual report and warrant that the report does not contain any false representation, misleading statement or material omission, and shall jointly and severally accept full responsibility for this warrant. If there is any senior management member who is unable to guarantee the truthfulness, accuracy and completeness of the annual report or disagrees with the content of the annual report, his reasons and opinion shall be stated separately.

Having fully understood and reviewed the 2011 Annual Report of the Company, all senior management members of the Company are of the opinion that information disclosed in the 2011 Annual Report is true, accurate and complete. We hereby guarantee that the information stated in this report does not contain any false representation, misleading statement or material omission, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the content thereof.

Signature of all senior management members of the Company:

Ling Wen

Han Jianguo

Wang Xiaolin

Li Dong

Hao Gui

Xue Jilian

Wang Pingang

Wang Jinli

Zhai Guiwu

Huang Qing

Zhang Kehui

China Shenhua Energy Company Limited
23 March 2012

Definitions

Abbreviation	Full name
Shenhua Group Corporation	Shenhua Group Corporation Limited
Shenhua Group	Shenhua Group Corporation and its controlling subsidiaries
China Shenhua or the Company	China Shenhua Energy Company Limited
The Group	China Shenhua and its subsidiaries
Branches and Subsidiaries	Branches and subsidiaries of the Company, unless otherwise specified in the context
Shenhua Trading Group	Shenhua Trading Group Limited
Shenhua Trading Company	Shenhua Coal Trading Co., Ltd.
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	China Shenhua Energy Company Limited Shendong Coal Branch
Zhunge'er Energy Company	Shenhua Zhunge'er Energy Co., Ltd.
Ha'erwusu Coal Branch	China Shenhua Energy Company Limited Ha'erwusu Coal Branch
Beidian Shengli Energy	Shenhua Beidian Shengli Energy Co., Ltd.
Shenbao Energy Company	Shenhua Baorixile Energy Co., Ltd.
Baotou Energy Company	Shenhua Baotou Energy Co., Ltd.
Xinjie Energy Company	Shenhua Xinjie Energy Co., Ltd.
Yu Shen Energy Company	Yulin Shenhua Energy Co., Ltd.
Chaijiagou Mining	Shaanxi Jihua Chaijiagou Mining Co., Ltd.
Guohua International	Shenhua Guohua International Power Co., Ltd.
Guohua Power Branch	China Shenhua Energy Company Limited Guohua Power Branch
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	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	Hebei Guohua Cangdong Power Co., Ltd.
Suizhong Power	Suizhong Power Co., Ltd.
Jinjie Energy	Shaanxi Guohua Jinjie Energy Co., Ltd.

Abbreviation	Full name
Dingzhou Power	Hebei Guohua Dingzhou Power Generation Co., Ltd.
Guohua Hulunbeier Power	Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd.
Yuyao Power	Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd.
Zhuhai Wind Energy	Zhuhai Guohua Huidafeng Wind Energy Development Co., Ltd.
Huizhou Thermal	China Shenhua Energy Company Limited Guohua Huizhou Thermal Power Branch
Shendong Power Company	Shenhua Shendong Power Co., Ltd.
Zhunge'er Power	Power-generating arm controlled and operated by Shenhua Zhunge'er Energy Co., Ltd.
Zhunge'er Coal Gangue Power	Inner Mongolia Zhunge'er Coal Gangue Power Co., Ltd.
Mengjin Power	Shenhua Guohua Mengjin Power Generation Co., Ltd.
Bashu Power Company	Sichuan Bashu Electric Power Development Co., Ltd.
Shenwan Energy Company	Shenwan Energy Company Limited
Shenshuo Railway Branch	China Shenhua Energy Company Limited Shenshuo Railway Branch
Shuohuang Railway Company	Shuohuang Railway Development Co., Ltd.
Baoshen Railway Company	Shenhua Baoshen Railway Co., Ltd.
Xinzhun Railway Company	Shenhua Xinzhun Railway Co., Ltd.
Rolling Stock Branch	China Shenhua Energy Company Limited Rolling Stock Branch
Huanghua Harbour Administration Company	Shenhua Huanghua Harbour Administration Co., Ltd.
Tianjin Coal Dock	Shenhua Tianjin Coal Dock Co., Ltd.
Zhuhai Coal Dock	Shenhua Yudean Zhuhai Port Coal Dock Co., Ltd.
Shenhua Zhonghai Shipping Company	Shenhua Zhonghai Shipping Co., Ltd.
Shenhua Finance Company	Shenhua Finance Co., Ltd.
Overseas Investment Company	China Shenhua Overseas Development & Investment Co., Ltd.
Australia Pty	Shenhua Australia Holdings Pty Limited
Watermark	Shenhua Watermark Coal Pty Limited
EMM Indonesia	PT.GH EMM INDONESIA
International Trading Company	Shenhua International Trading Co., Ltd.
Clean Coal Company	Hulunbeier Shenhua Clean Coal Co., Ltd.
Guohua Energy	Guohua Energy Investment Co., Ltd.
Wuhai Energy Company	Shenhua Wuhai Energy Company Limited
Jihua Industry	Beijing Jihua Industry Coal Co., Ltd.
Coal Liquefaction Company	China Shenhua Coal Liquefaction and Chemical Co., Ltd
Material Company	Shenhua Group Material Trading Co., Ltd.
Tianhong Company	Shenhua Tianhong Trading Co., Ltd.
Information Company	Shenhua Hollysys Information Technology Co., Ltd.
Geological Exploration Company, formerly "Beiyao Company"	Shenhua Geological Exploration Co., Ltd, formerly "Shenhua (Beijing) Remote Sensing Exploration Co., Ltd."
Baotou Mining	Shenhua Group Baotou Mining Co., Ltd.
Guohua Power	Beijing Guohua Power Company Limited

Abbreviation	Full name
Accounting Standards for Business Enterprises	Accounting Standards for Business Enterprises – Basic Standard and 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
Shanghai Listing Rules	Rules Governing the Listing of Shares on the Shanghai Stock Exchange
Shanghai Stock Exchange	Shanghai Stock Exchange
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Newspapers for Information Disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily

Five Years Financial Summary

The following financial information is extracted from the consolidated financial statements of the Group prepared in accordance with International Financial Reporting Standards:

Consolidated Results

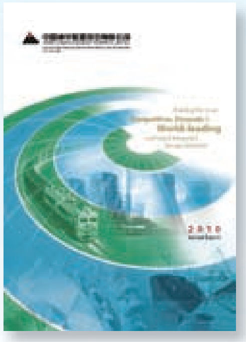
	Years ended 31 December				
	2007	*2008*	*2009*	*2010*	***2011***
	RMB million	*RMB million*	*RMB million*	*RMB million*	***RMB million***
	(restated)*	*(restated*)*	*(restated*)*	*(restated*)*	
Revenues					
Coal revenue	59,521	77,921	87,163	106,080	**140,090**
Power revenue	23,922	29,393	33,157	44,800	**58,348**
Other revenues	2,912	3,476	5,325	6,782	**9,759**
Total operating revenues	86,355	110,790	125,645	157,662	**208,197**
Cost of revenues					
Coal purchased	(10,923)	(15,545)	(14,374)	(26,437)	**(45,753)**
Materials, fuel and power	(6,468)	(8,600)	(9,675)	(12,335)	**(14,777)**
Personnel expenses	(4,209)	(5,559)	(5,938)	(7,290)	**(9,090)**
Depreciation and amortisation	(8,030)	(9,609)	(10,831)	(12,718)	**(14,606)**
Repairs and maintenance	(3,622)	(4,726)	(5,044)	(5,736)	**(6,027)**
Transportation charges	(7,015)	(7,375)	(9,417)	(10,570)	**(18,304)**
Others	(6,574)	(9,838)	(12,536)	(15,056)	**(19,535)**
Total cost of revenues	(46,841)	(61,252)	(67,815)	(90,142)	**(128,092)**
Selling, general and administrative expenses	(5,878)	(7,845)	(9,129)	(9,219)	**(10,973)**
Other operating expenses, net	(559)	(1,514)	(657)	(776)	**(827)**
Total operating expenses	(53,278)	(70,611)	(77,601)	(100,137)	**(139,892)**
Profit from operations	33,077	40,179	48,044	57,525	**68,305**
Finance income	1,065	1,449	1,332	1,397	**1,082**
Finance expenses	(3,327)	(4,631)	(3,320)	(3,645)	**(3,218)**
Net finance costs	(2,262)	(3,182)	(1,988)	(2,248)	**(2,136)**
Investment (loss)/income	(95)	(46)	(31)	174	**1**
Share of profits less losses of associates	628	656	737	491	**290**
Profit before income tax	31,348	37,607	46,762	55,942	**66,460**
Income tax	(6,870)	(7,192)	(9,841)	(11,473)	**(13,951)**
Profit for the year	24,478	30,415	36,921	44,469	**52,509**
Profit attributable to:					
Equity shareholders of the Company	20,986	27,084	32,272	38,834	**45,677**
Non-controlling interests	3,492	3,331	4,649	5,635	**6,832**
Profit for the year	24,478	30,415	36,921	44,469	**52,509**
Basic earnings per share (RMB)	1.132	1.362	1.623	1.952	**2.296**
Diluted earnings per share (RMB)	1.132	1.362	1.623	1.952	**2.296**

Condensed Consolidated Statement of Financial Position

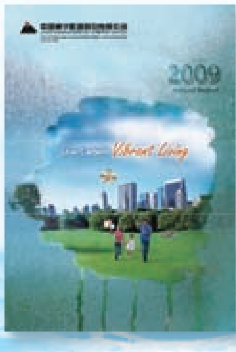
	As at 31 December				
	2007	*2008*	*2009*	*2010*	***2011***
	RMB million	*RMB million*	*RMB million*	*RMB million*	***RMB million***
	(restated)*	*(restated*)*	*(restated*)*	*(restated*)*	
Property, plant and equipment, net	133,240	148,534	167,489	188,061	**219,904**
Total non-current assets	172,803	209,015	230,078	252,670	**293,140**
Total current assets	94,191	95,725	105,626	119,461	**107,937**
Total current liabilities	(58,399)	(60,651)	(70,352)	(76,926)	**(87,549)**
Total non-current liabilities	(53,199)	(66,118)	(60,858)	(57,778)	**(49,214)**
Net assets	155,396	177,971	204,494	237,427	**264,314**
Equity attributable to equity shareholders of the Company	134,372	152,275	175,913	205,113	**225,822**
Non-controlling interests	21,024	25,696	28,581	32,314	**38,492**
Total equity	155,396	177,971	204,494	237,427	**264,314**

* Please refer to Note 4 of "Financial Statements" set out in this report.

2010 Annual Report



2009 Annual Report

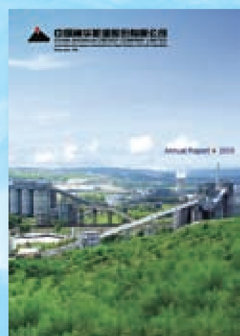


2008 Annual Report

2007 Annual Report

2006 Annual Report

2005 Annual Report



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