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

Embracing a Green Future with Ultra-low Emission

2014 Annual Report

Important Notice

I. 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 are jointly and severally liable for the authenticity, accuracy and completeness of the information contained in this report.

II. This report was approved at the sixth meeting of the third session of the board of the Company, Eight out of eight eligible directors of the Company were present at the meeting.

III. Deloitte Touche Tohmatsu has issued a standard unqualified independent auditor's report to the Company under the Hong Kong Standards on Auditing, in connection with the Company's 2014 consolidated financial statements prepared under the International Financial Reporting Standards.

IV. Dr. Zhang Yuzhuo, Chairman of the Company, Dr. Zhang Kehui, Chief Financial Officer, and Mr. Hao Jianxin, General Manager of the Financial Department of the Company, warrant the authenticity, accuracy and completeness of the consolidated financial statements contained in this report.

V. A final dividend distribution plan of RMB0.74 per share (inclusive of tax) of cash dividend for 2014 was proposed by the board, totaling approximately RMB14.718 billion (inclusive of tax). The above profit distribution proposal is pending the approval of the general meeting.

VI. Disclaimer of forward-looking statements

There are certain forward-looking statements in this report made on the basis of subjective assumptions and judgments on future policies and economic conditions, which are subject to risks, uncertainties and assumptions. The actual outcome may differ materially from the forward-looking statements. Such statements do not constitute actual commitments to investors. Investors should be aware that undue reliance on or use of such information may lead to risks of investment.

VII. Are there any situations of non-operating appropriation of funds by controlling shareholder(s) and its subsidiaries?

No

VIII. Are there any situations of violation of decision-making procedures for external guarantee provision?

No


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Section I Definitions and Risk Warning

Definitions

Unless the context otherwise requires, the following terms used in this report have the following meanings:

Shenhua Group Corporation	Shenhua Group Corporation Limited
Shenhua Group	Shenhua Group Corporation Limited and its controlling subsidiaries
China Shenhua/the Company	China Shenhua Energy Company Limited
The Group	The Company and its controlling subsidiaries
Subsidiaries and Branches	Controlling subsidiaries and branches of the Company
Shendong Coal Group Corporation	Shenhua Shendong Coal Group Co., Ltd.
Shendong Coal Group	Shenhua Shendong Coal Group Co., Ltd. and its subsidiaries
Shendong Coal Branch	Shendong Coal Branch of the Company
Guohua Power Branch	Guohua Power Branch of the Company
Guohua Power Company	Beijing Guohua Power Company Limited
Shenhua Guoneng Group	Shenhua Guoneng Group Co., Ltd.
Shendong Power Company	Shenhua Shendong Power Co., Ltd.
Coal Liquefaction and Chemical Company	China Shenhua Coal Liquefaction and Chemical Co., Ltd.
Zhunge'er Energy Company	Shenhua Zhunge'er Energy Co., Ltd.
Ha'erwusu Branch	Ha'erwusu Coal Branch of the Company
Zhunge'er Company	Shenhua Zhunge'er Co., Ltd.
Zhunge'er Power	Power-generating division controlled and operated by Zhunge'er Energy Company
Zhunchi Railway	Shenhua Zhunchi Railway Company Limited
Shuohuang Railway Company	Shuohuang Railway Development Co., Ltd.
Railway Transportation Company	Shenhua Railway Transportation Co., Ltd.
Shenhua Trading Group	Shenhua Trading Group Limited
Coal Trading Company	Shenhua Coal Trading Company Limited
Shenshuo Railway Branch	Shenshuo Railway Branch of the Company

Huanghua Harbour Administration Company	Shenhua Huanghua Harbour Administration Co., Ltd.
Baoshen Railway Group	Shenhua Baoshen Railway Group Co., Ltd., which holds 88.16% equity interest in Baoshen Railway Company, 88.46% equity interest in Ganquan Railway Company and 90% equity interest in Xinzhun Railway Company
Baoshen Railway Company	Shenhua Baoshen Railway Co., Ltd.
Xinzhun Railway Company	Shenhua Xinzhun Railway Co., Ltd.
Baotou Energy Company	Shenhua Baotou Energy Co., Ltd.
Baotou Coal Chemical Company	Shenhua Baotou Coal Chemical Co., Ltd.
Shenbao Energy Company	Shenhua Baorixile Energy Co., Ltd.
Rolling Stock Branch	Rolling Stock Branch of the Company
Beidian Shengli Energy	Shenhua Beidian Shengli Energy Co., Ltd.
Shengli Energy Branch	Shengli Energy Branch of the Company
Tianjin Coal Dock	Shenhua Tianjin Coal Dock Co., Ltd.
Zhuhai Coal Dock	Shenhua Yudean Zhuhai Port Coal Dock Co., Ltd.
Overseas Company	China Shenhua Overseas Development & Investment Co., Ltd.
Yu Shen Energy Company	Yulin Shenhua Energy Co., Ltd.
Xinjie Energy Company	Shenhua Xinjie Energy Co., Ltd
Bayannur Company	Shenhua Bayannur Energy Co., Ltd.
Shipping Company	Shenhua Zhonghai Shipping Co., Ltd.
Ganquan Railway Company	Shenhua Ganquan Railway Co., Ltd.
Shenwan Energy Company	Shenwan Energy Company Limited
Fujian Energy Company	Shenhua Fujian Energy Co., Ltd.
Shenhua Sichuan Energy Company/ Bashu Power	Shenhua Sichuan Energy Company Limited, formerly known as Shenhua Bashu Power Co., Ltd.
Shenwei Branch	Railway Track Mechanical Maintenance Branch of the Company
Logistics Group	Shenhua Logistics Group Corporation Limited
Shenhua Finance Company	Shenhua Finance Co., Ltd.
Shenhua HK Company	Shenhua Hong Kong Limited
Geological Exploration Company	Shenhua Geological Exploration Co., Ltd.
Information Company	Shenhua Hollysys Information Technology Co., Ltd.
Australia Pty	Shenhua Australia Holdings Pty Limited
Watermark	Shenhua Watermark Coal Pty Limited
Clean Coal Company	Hulunbeier Shenhua Clean Coal Co., Ltd.

Indonesia Company/EMM Indonesia	PT.GH EMM INDONESIA
Beijing Thermal	Shenhua Guohua International Power Company Limited Beijing Thermal Power Branch
Panshan Power	Tianjin Guohua Panshan Power Generation Co., Ltd.
Sanhe Power	Sanhe Power Co., Ltd.
Guohua Zhunge'er	Inner Mongolia Guohua Zhunge'er Power Generation Co., Ltd.
Zheneng Power	Zhejiang Guohua Zheneng Power Generation Co., Ltd.
Shenmu Power	CLP Guohua Shenmu Power Co., Ltd.
Taishan Power	Guangdong Guohua Yudean Taishan Power Co., Ltd.
Cangdong Power	Hebei Guohua Cangdong Power Co., Ltd.
Suizhong Power	Suizhong Power Co., Ltd.
Jinjie Energy	Shaanxi Guohua Jinjie Energy Co., Ltd.
Dingzhou Power	Hebei Guohua Dingzhou Power Generation Co., Ltd.
Guohua Hulunbeier Power	Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd.
Taicang Power	Guohua Taicang Power Generation Co., Ltd.
Mengjin Power	Shenhua Guohua Mengjin Power Generation Co., Ltd.
Yuyao Power	Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd.
Jiujiang Power	Shenhua Guohua Jiujiang Power Co., Ltd.
Zhuhai Wind Energy	Zhuhai Guohua Huidafeng Wind Energy Development Co., Ltd.
Huizhou Thermal	Guohua Huizhou Thermal Power Branch of the Company
Liuzhou Power	Shenhua Guohua Guangtou (Liuzhou) Power Generation Co., Ltd.
A Share(s)	Ordinary shares that are issued to domestic investors in China with the approval of CSRC and listed on the domestic stock exchanges, and denominated, subscribed and transacted in Renminbi
H Share(s)	Ordinary shares that are issued to foreign investors outside of China with the approval of CSRC and listed on the Hong Kong Stock Exchange, and denominated in Renminbi and subscribed and transacted in Hong Kong dollar
JORC	Australasian Code for Reporting of Mineral Resources and Ore Reserves sets out the standards, recommendation and guidelines for public reporting in Australasia of exploration results, mineral resources and ore reserves, a widely accepted code for reserve reporting purpose
Company Law	Company Law of the People's Republic of China
Securities Law	Securities Law of the People's Republic of China
SASAC	Stated-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China

NDRC	National Development and Reform Commission of the People's Republic of China
CSRC	China Securities Regulatory Commission
CSRC Beijing Bureau	China Securities Regulatory Commission Beijing Bureau
NSSF	National Council for Social Security Fund of the People's Republic of China
SERC	State Electricity Regulatory Commission of the People's Republic of China
Shanghai Stock Exchange	Shanghai Stock Exchange
Hong Kong Stock Exchange or Stock Exchange	The Stock Exchange of Hong Kong Limited
Shanghai Listing Rules	Rules Governing the Listing of Stocks on Shanghai Stock Exchange
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Accounting Standards for Business Enterprises	the latest Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China and the related application guidance, interpretations and other related requirements
International Financial Reporting Standards	International Financial Reporting Standards issued by the International Accounting Standards Committee
Articles of Association	Articles of Association of China Shenhua Energy Company Limited
Designated Newspapers for Information Disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
RMB	Renminbi, unless otherwise specified
Basic earnings per share	Profit for the year attributable to equity holders of the Company/Weighted average number of shares for the year
Return on total assets	Profit for the year/total assets at the end of the year
Return on net assets	Profit for the year attributable to equity holders of the Company/equity attributable to equity holders of the Company at the end of the year
EBITDA	Profit for the year + net finance cost + income tax expense + depreciation and amortisation – share of results of associates. EBITDA is not yet an item acknowledged by the International Financial Reporting Standards. However, EBITDA is popularly used by securities analysts, investors and other parties as an important indicator for the evaluation of the performance of listed companies. It should not be taken 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 that 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.
Total debt to total debt + total equity	[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]
Liability to asset ratio	Total liabilities/Total assets

Shanghai-Hong Kong Stock Connect	A mutual access mechanism between Shanghai and Hong Kong stock markets under which Shanghai Stock Exchange and Hong Kong Stock Exchange allow investors from Shanghai and Hong Kong to trade eligible shares listed on the other's market through local securities firms (or brokers)
Shanghai Stock Connect	Investors place orders through Hong Kong brokers and a securities trading service company established by Hong Kong Stock Exchange to trade eligible shares listed on Shanghai Stock Exchange by routing orders to Shanghai Stock Exchange
Hong Kong Stock Connect	Investors place orders through Mainland securities firms and a securities trading service company established by Shanghai Stock Exchange to trade eligible shares listed on Hong Kong Stock Exchange by routing orders to Hong Kong Stock Exchange

Risk Warning

The Company has made detailed description of existing risks in relation to market competition, industrial policies, changes in costs, environmental protection, production safety etc. in this report. For details, please refer to the related contents set out in the section headed "Directors' Report" in this report.

Section II Company Profile

I. Information of the Company

Chinese Name of the Company	中國神華能源股份有限公司
Abbreviation of Chinese Name of the Company	中國神華
English Name of the Company	China Shenhua Energy Company Limited
Abbreviation of English Name of the Company	CSEC/China Shenhua
Legal Representative of the Company	Zhang Yuzhuo
Authorised Representatives of the Company under the Hong Kong Listing Rules	Han Jianguo, Huang Qing

II. Contacts and Contact Details

	Secretary to the Board of Directors	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@shenhua.cc	1088@shenhua.cc

	Board Affairs and 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 1088/3399/3355	(852) 2578 1635
Fax	(8610) 5813 1804/1814	(852) 2915 0638

III. Particulars

Registered Address of the Company	22 Andingmen Xibinhe Road, Dongcheng District, Beijing
Postal Code of Registered Address of the Company	100011
Office Address of the Company	22 Andingmen Xibinhe Road, Dongcheng District, Beijing
Postal Code of Office Address of the Company	100011
Company Website	http://www.csec.com or http://www.shenhuachina.com
E-mail	1088@shenhua.cc

IV. Information Disclosure and Place for Document Inspection

Designated Newspapers for Information Disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Internet website designated by CSRC for publishing annual report	http://www.sse.com.cn and http://www.hkex.com.hk
Annual report is available at	Board Affairs and Investor Relations Department of the Company, Hong Kong Office of the Company

V. Basic Information on Shares

Basic Information on Shares			
Type	**Listing Place**	**Abbreviation**	**Stock Code**
A Share	Shanghai Stock Exchange	China Shenhua	601088
H Share	Hong Kong Stock Exchange	China Shenhua	01088

VI. Changes of Registration Information during the Reporting Period

(I) Basic information

Business Registration Date	8 July 2014
Business Registration Location	State Administration for Industry and Commerce
Registration Number of Corporate Business Licence	100000000039286
Tax Registration Number	Jing Shui Zheng Zi No.110101710933024
Organization Code	71093302-4

(II) Reference index of the First Business Registration

For more details, please refer to the 2007 A Share prospectus of the Company.

(III) Changes in principal business since the listing of the Company

At the time of H Share listed in 2005, the Company was principally engaged in production and sale of coal and power as well as railway and port transportation. In 2010 and 2013, by incorporating shipping and coal to olefins businesses into the business scope of the Company respectively, the Company's coal-based business chain was further extended and the competitive advantage of the Company was further enhanced.

(IV) Historical changes in controlling shareholders of the Company

Since the H Share listed in 2005, there is no change in controlling shareholders of the Company.

VII. Other Relevant Information

Auditor employed by the Company (the PRC)	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP
	Office Address	8th Floor, Deloitte Tower, The Towers, Oriental Plaza, 1 East Chang An Avenue, Beijing
	Signing Auditor	Cui Jin, Xu Bin
Auditor employed by the Company (Hong Kong)	Name	Deloitte Touche Tohmatsu
	Office Address	35th Floor, One Pacific Place, 88 Queensway, Hong Kong
	Signing Auditor	–
Sponsors with continuing supervisory duty during the reporting period	Name	China International Capital Corporation Limited
	Office Address	27th and 28th Floor, China World Tower Two, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing
	Sponsor Representatives	Fang Baoron, Long Liang
	Name	China Galaxy Securities Co., Ltd.
	Office Address	2-6/F, Tower C, Corporate Square, No. 35 Finance Street, Xicheng District, Beijing
	Sponsor Representatives	Wen Junying, Lu Yu
	Continuing supervisory period	October to December of 2007, the year of 2008 and 2009. As at the end of the reporting period, the proceeds from the initial public offering of A Shares of the Company have not been fully utilized. Pursuant to the relevant regulations, the continuing supervisory period of the above Sponsors and Sponsor Representatives shall continue until the aforesaid proceeds are fully utilized.

		A Share/the PRC	H Share/Hong Kong
Legal Advisor	Name	King & Wood Mallesons	Herbert Smith Freehills
	Address	40th Floor, Tower A, 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

Section III Highlight of Accounting Data and Financial Indicators

I. Operational data

Operational indicators	Unit	2014	2013	YoY Change (%)	2012 (restated)
(I) Coal					
1. Commercial coal production	Million tonnes	**306.6**	318.1	(3.6)	304.0
2. Coal sales	Million tonnes	**451.1**	514.8	(12.4)	464.6
Of which: Export	Million tonnes	**1.6**	2.7	(40.7)	3.3
Import	Million tonnes	**6.9**	15.2	(54.6)	10.7
(II) Power generation					
1. Gross power generation	Billion kwh	**214.13**	225.38	(5.0)	207.90
2. Total power output dispatch	Billion kwh	**199.44**	210.18	(5.1)	193.46
(III) Coal chemical					
1. Sales of polyethylene	Thousand tonnes	**265.5**	262.4	1.2	267.7
2. Sales of polypropylene	Thousand tonnes	**268.1**	267.9	0.1	277.6
(IV) Transportation					
1. Turnover of self-owned railway	Billion tonne km	**223.8**	211.6	5.8	176.2
2. Seaborne coal	Million tonnes	**235.8**	227.3	3.7	203.2
Of which: At Huanghua Port	Million tonnes	**131.6**	127.4	3.3	95.6
At Shenhua Tianjin Coal Dock	Million tonnes	**36.6**	31.1	17.7	28.8
At Shenhua Zhuhai Coal Dock	Million tonnes	**5.8**	1.5	286.7	0
3. Shipping volume	Million tonnes	**87.7**	118.6	(26.1)	97.7
4. Shipment turnover	Billion tonne nautical miles	**72.2**	114.9	(37.2)	82.5

Note: 1. Effective from January 2013, the calculation of the "seaborne coal" indicator no longer includes the seaborne coal for sale in the domestic coal trading. "Domestic coal trading" refers to the business of domestic purchase and sales of coal, except for the self-produced coal of the Group in the PRC, and the coal purchased from third parties in the surrounding areas of the self-owned mines and railways of the Group which is shipped with the Group's transportation system.

2. In December 2013, the Company completed the acquisition of the 100% equity interests in Baotou Coal Chemical Company and the 100% equity interests in Jiujiang Power, as combined enterprises under common control. These acquired companies have been consolidated into the business and financial data of the Company for 2014 and 2013, and the data for 2012 have been restated.

II. Financial Data

	Unit	2014	2013	Change (%)
Revenue	RMB million	**248,360**	283,797	(12.5)
Profit for the year	RMB million	**48,383**	55,224	(12.4)
Profit for the year attributable to equity holders of the Company	RMB million	**38,689**	45,079	(14.2)
Basic earnings per share	RMB per share	**1.945**	2.266	(14.2)
Proposed final dividend for the year (inclusive of tax)	RMB per share	**0.74**	0.91	(18.7)
Net cash generated from operating activities	RMB million	**67,511**	54,288	24.4
Net cash generated from operating activities excluding the effect from Shenhua Finance Company	RMB million	**68,398**	62,023	10.3
	Unit	**At the end of 2014**	At the end of 2013	Change (%)
Total assets	RMB million	**538,897**	513,298	5.0
Total liabilities	RMB million	**177,298**	178,656	(0.8)
Total equity	RMB million	**361,599**	334,642	8.1
Equity attributable to equity holders of the Company	RMB million	**297,244**	276,903	7.3
Equity attributable to equity holders per share	RMB per share	**14.94**	13.92	7.3

III. Differences between Domestic and International Accounting Standards

Unit: RMB million

	Net profit for the year attributable to equity holders of the Company		Net assets attributable to equity holders of the Company	
	This year	Last year	**At the end of the year**	At the beginning of the year
Under China Accounting Standards for Business Enterprises	**36,807**	45,678	**291,789**	272,362
Adjustment: Adjustment to simple production maintenance, production safety and other related expenditures Note	**1,882**	(599)	**5,455**	4,541
Under International Financial Reporting Standards	**38,689**	45,079	**297,244**	276,903

Note: Pursuant to the relevant regulations of the related government authorities in the PRC, provisions for simple production maintenance, production safety and other related expenditures are accrued by the relevant entities, 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 the stipulated scope, the 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 on deferred tax arising from such difference is also reflected.

Zhang Yuzhuo

Chairman

Section IV
Chairman's Statement

Dear Shareholders,

On behalf of the board of directors, I am delighted to present the 2014 annual report of China Shenhua and to report on the Company's performance for the period.

Confronting challenging market situation in 2014 featuring oversupply of coal and declining prices, China Shenhua steadily improved its integrated operation and vigorously implemented its "1245" clean energy development strategy. Focusing on its strategic goal of "building itself into a world first-class supplier of clean energy", China Shenhua accelerated the transformation of the concept and mode of development, pushed forward "four developments" of safe development, transitional development, innovative development and harmonious development, and strived to achieve "five enhancements" of "enhancing the quality and efficiency of development, the standards of management, the capability of internationalization, the soft power of the enterprise and the ability to fulfill social responsibilities". Such initiatives promoted coordinated development of all business segments and achieved a generally favorable business performance against the overall loss of the industry.

During this year, the Company effectively offset the impact of oversupply of coal by enhancing fundamental management, tapping potential internally and expanding markets externally, and hence recorded profit before income tax of RMB60.945 billion. Based on the profit from operations of all business segments before eliminations upon consolidation under the International Financial Reporting Standards, the percentages attributable to the coal, power, transportation and coal chemical segments were optimized to 41%, 31%, 26% and 2% respectively in 2014 from 50%, 26%, 22% and 2% in 2013 as a result of the effective structural transformation. Power generation and transportation businesses made more contributions to the results of the Company.

In 2014, the profit for the year attributable to equity holders of the Company and basic earnings per share amounted to RMB38,689 million and RMB1.945 respectively. The Board recommends payment of a final dividend for 2014 of RMB0.74 per share (inclusive of tax) in cash with a total amount of approximately RMB14,718 million (inclusive of tax), which accounts for 40.0% of the net profit for the year attributable to equity holders of the Company in 2014 under the Accounting Standards for Business Enterprises.

As at 31 December 2014, the total market capitalization of China Shenhua reached USD64.7 billion, ranking the first among all listed coal companies worldwide and the fourth among all listed integrated mining companies worldwide. In early 2015, China Shenhua was assigned China's sovereign rating by three international credit rating agencies, namely Standard & Poor's, Moody's and Fitch Ratings, demonstrating China Shenhua's credit strength in international capital market.

Actively responding to market fluctuation and enhancing marketing efforts in coal and power segments

Adhering to the market-oriented pricing mechanism, the Company enhanced market forecast and explored new customers by allocating marketable types of coal according to customer requirements. In 2014, the production volume of commercial coal amounted to 306.6 million tonnes while the sales volume reached 451.1 million tonnes, of which the domestic sales of seaborne coal reached 234.3 million tonnes, accounting for approximately 34.7% of the outbound shipment for domestic coal sales through major ports in China, up by 0.7 percentage point year-on-year.

The Company stepped up marketing efforts in the power segment to boost power supply, and brought in more revenue for coal and transportation segments by consuming self-produced coal. In 2014, gross power generation amounted to 214.13 billion kwh, and total power output dispatch reached 199.44 billion kwh.

Strengthening production arrangements to ensure stable and sound operation

The Company adjusted the structure of production volume of coal mines according to market demands and the principle of efficiency maximization. The competitiveness of coal products was further enhanced through the improvement of equipment and production technology as well as the strengthened management of coal quality.

Utilization hours of power equipment were improved, which enhanced efficiency of the power business significantly. In 2014, the average utilization hours of coal-fired power generators reached 5,174 hours, surpassing the national average utilization hours of coal-fired power generators by 468 hours.

The Company strengthened transportation coordination and optimized operation to confront market volatility, enhanced operation efficiency through better planning and management, reasonable loading arrangement and strengthened railway capacity management, and ensured smooth operation by improving port loading efficiency and yard management. In 2014, the transportation turnover of self-owned railways of the Company was 223.8 million tonnes, representing a year-on-year increase of 5.8%.

The coal chemical business achieved a high level of production. The production equipment of Baotou Coal Chemical Company maintained safe and steady operation.

Enhancing management by focusing on value creation and striving to achieve favorable results in cost reduction and efficiency improvement

The Company further tightened its budget management by vigorously implementing measures for cost and expense control, optimizing cost analysis and appraisal mechanism, and constantly strengthening cost management and control of micro units, which to some extent mitigated the impact of declining market demands and thus enhanced the market risk resilience of the Company.

In 2014, the Group's unit production cost of self-produced coal was RMB132.0/tonne, representing a year-on-year decrease of 3.3%. The unit cost of power output dispatch decreased by 6.7% year-on-year, and the unit transportation cost of railway decreased by 3.1% year-on-year.

The Company promoted the "Digital Mine" project in 14 mines including Jinjie Mine, witnessing major progress in head count downsizing, efficiency boosting, refined management, and improvement of production efficiency and equipment utilization.

Actively engaging in clean energy supply to improve the quality of development

In 2014, the Company took steady steps towards the goal of "building itself into a world first-class supplier of clean energy". Firstly, to achieve clean coal production, the Company explored green coal production mode featuring low consumption, reduced emission and high output, leading to world-class clean production in terms of overall energy consumption for raw coal production and unit power consumption for coal selection and establishing a brand of Shenhua clean coal as characterized by the quality of low sulphur, low ash and medium-to-high calorific value. Secondly, to achieve clean coal use, the Company conducted technology research and development, carried out "ultra-low emission" renovation on coal-fired power generators with a total installed capacity of 2,350 MW during the year, and therefore the emission levels of soot, sulfur dioxide and NOx met or outperformed the emission standards on air pollutants from gas-fired power generators. Thirdly, the Company steadily pushed forward new energy development as five wells of the shale gas project in USA began to produce gas and generated revenue, and the shale gas project in Baojing, Hunan Province completed its preliminary geological exploration.

Strengthening development potential

The Company allocated its resources through key initiatives such as project construction, acquisition of equity interests and overseas investment, so as to strengthen its future development potential.

Projects including Guojiawan Coal Mine and Qinglongsi Coal Mine made smooth progress as scheduled, thereby ensuring the continuous supply of coal resources. Projects including power plants under construction such as the Phase II of Anqing Power Generation Project of Shenwan Energy Company were pushed forward steadily and were expected to be put into operation in 2015. Seven new power projects with an annual aggregate installed capacity of 12,700 MW have been approved. In addition, the Company successfully introduced heavy-haul trains with axle load of 30 tonnes, effectively improving transportation efficiency. The Company also witnessed the completion of Zhunchi Railway, the commencement of construction of Huangda Railway and the commencement of operation of Huanghua Port (Phase IV).

The Company initiated the acquisition of equity interests in certain larger capacity clean coal-fired power generators from Shenhua Group.

PT.GH EMM INDONESIA Project achieved favorable operating revenue. The Company also took firm steps forward to globalize its resources allocation. The Watermark Coal Project in Australia, the Tsankhi project in Mongolia, the Sino-Mongolian railway project and the Zashulanskoye project in Russia all achieved encouraging progress.

Adhering to safe development, transitional development, innovative development and harmonious development

To emphasize the concept of safe development, the Company further implemented the advanced safety philosophy of "seeking zero fatality rate and aiming at zero injury", constantly improved its intrinsic safety management system, and comprehensively reinforced its risk prevention and control system. The fatality rate per million tonnes of raw coal production was 0.009 in 2014, which maintained its leading position in the coal industry worldwide.

To emphasize the concept of transitional development and accelerate clean transformation. The Group invested a total of RMB4.571 billion in energy saving and environmental protection projects in 2014. The Company completed the desulphurization renovation of all coal-fired power generators, and the proportion of coal-fired generators for which denitrification renovation had been completed remained in the leading position in the industry. Afforestation areas were expanded by 25,073.4 thousand square meters in 2014.

To emphasize the concept of innovative development. The Group's research and development expenditures in 2014 amounted to RMB1,074 million, with the smooth progress of a series of key scientific and technological innovation projects including green exploitation of coal mines as well as the initiation of a series of major projects including heavy-haul railway technology, indicating technological innovation has become a fundamental support for the development of the Company.

To emphasize the concept of harmonious development. Embracing the philosophy of "safe and efficient, clean and environment-friendly, mutual success with harmony", the Company achieved a harmonious development among enterprise, society and the environment and a win-win situation with all stakeholders during the reporting period. For more information, please refer to the 2014 CSR Report of the Company.

2015: Expediting the implementation of the clean energy development strategy based on the new normal state

The new normal state of the coal industry will become further defined in 2015. On the one hand, the overall oversupply in the coal market will linger. On the other hand, the Chinese government is pushing forward the reform on energy production and consumption, expediting the structural adjustment and transitional development of the coal industry through the promotion of clean, efficient and low-carbon utilization.

Stepping up the implementation of the "1245" clean energy development strategy, China Shenhua will optimize its integrated operation model and constantly improve its competitiveness so as to create greater value for its shareholders.

Reinforcing the coal-based energy segment. To further emphasize the leading role of coal sales, the Company will maintain its market share through the improvement of organization, implement differentiated strategy through market segmentation and enhance the brand image of Shenhua coal through the promotion of clean thermal coal. To strengthen its capability of integrated operation, the Company will organize the production in the coal segment according to the market situation, strive to achieve higher utilization hours in the power segment as compared to similar coal-fired generators in the same region, optimize dispatch and organization in the transportation segment and explore a new business mode of logistics and enhance operations management of production and cost control in the coal chemical segment.

Carrying on cost reduction and efficiency enhancement. The Company will enhance management capabilities and improve efficiency by innovating management and adding value to its brand. It will optimize its industrial and regional deployment as well as project and customer portfolio, strengthen its control over production costs and management of capital and accounts receivable.

Facilitating the supply of clean energy. To carry on the clean production and utilization of coal, the Company will focus on pushing forward the "ultra-low emission" renovation of coal-fired power generators, and explore the development of new energy.

Pushing forward the construction of key projects. To optimize its integrated portfolio, the Company will implement the concept of value creation and reasonably arrange future capacity planning, and steadily push forward the construction of key projects. The progress achieved in the construction of overseas projects will help the Company accumulate experience in overseas development.

Strengthening scientific and technological innovation ability. To enhance its capability of integrated innovation, the Company will push forward the transformation of traditional industry driven by information technology and build itself into a digital Shenhua; it will expand its technology and talent reserve so as to underpin the future development of the Company.

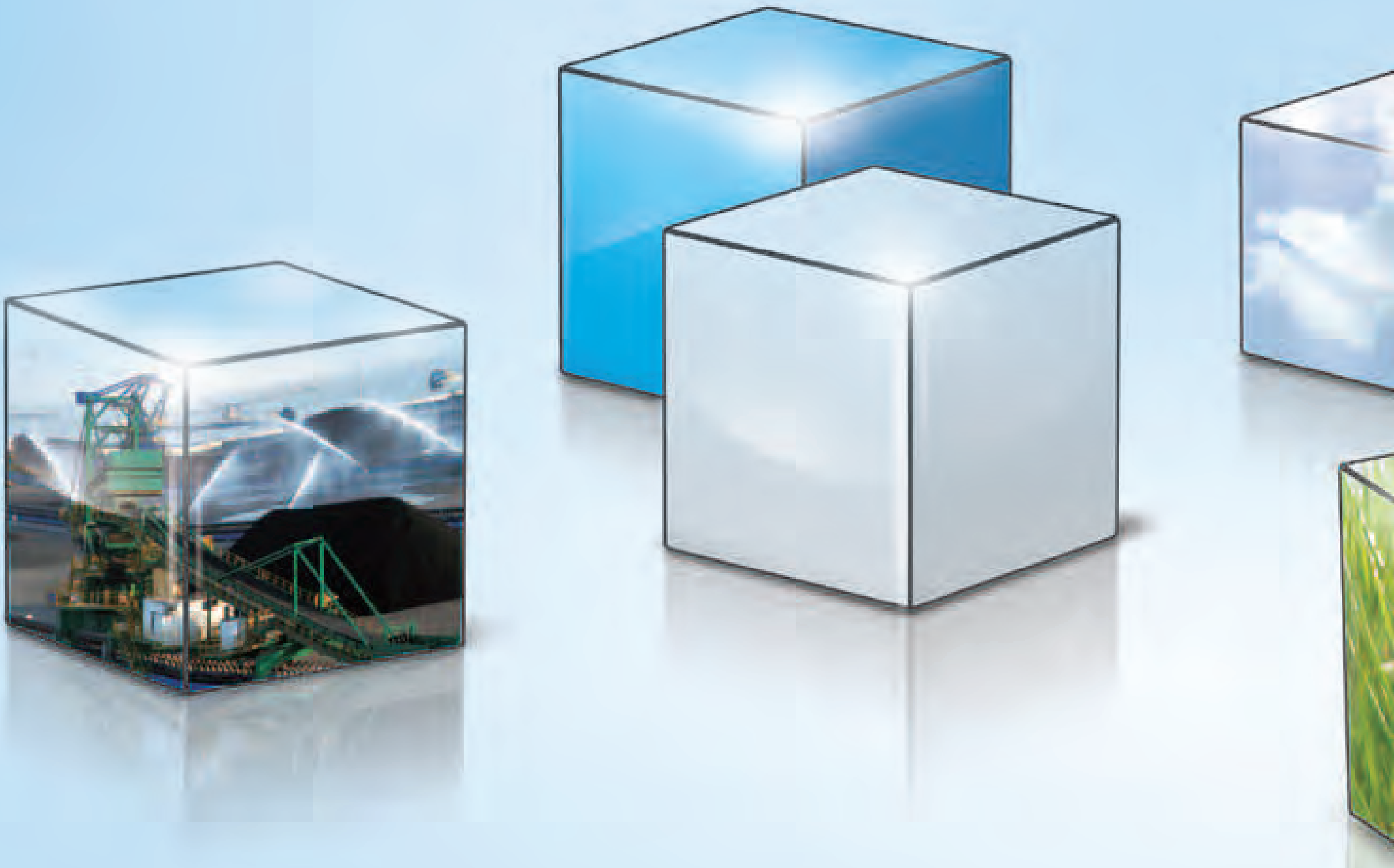
Exercising the concept of safety, energy saving and environmental protection. Adhering to its principle of safety, green, low-carbon and circular development, the Company will implement the Action Plan on Air Pollution Prevention and Control and the Annual Plan for the Upgrade and Renovation of Coal-fired Power Generators, leading the clean development of the coal industry.

Looking into 2015, China Shenhua will expedite with strong determination the implementation of the "1245" clean energy development strategy and the clean and efficient utilization of coal, with the aim to build itself into a world first-class supplier of clean energy, as well as create greater value for its investors.

Zhang Yuzhuo
Chairman

20 March 2015

Section V
Directors' Report



2014 Overview of Operating Results

Business Data Master Table

		2014	2013	Change %
Commercial coal production	(million tonnes)	306.6	318.1	(3.6)
Coal sales	(million tonnes)	451.1	514.8	(12.4)
Of which: Export	(million tonnes)	1.6	2.7	(40.7)
Import	(million tonnes)	6.9	15.2	(54.6)
Gross power generation[1]	(billion kwh)	214.13	225.38	(5.0)
Total power output dispatch[1]	(billion kwh)	199.44	210.18	(5.1)
Polyethylene sales	(thousand tonnes)	265.5	262.4	1.2
Polypropylene sales	(thousand tonnes)	268.1	267.9	0.1
Transportation turnover of self-owned railway	(billion tonne km)	223.8	211.6	5.8
Seaborne coal[2]	(million tonnes)	235.8	227.3	3.7
Shipping volume	(million tonnes)	87.7	118.6	(26.1)
Shipment turnover	(billion tonne nm)	72.2	114.9	(37.2)

Breakdown of Coal Sales

		2014 million tonnes	Proportion of domestic sales %	2013 million tonnes	Change %
(I) Domestic sales		**439.6**	100.0	503.8	(12.7)
By coal source	Self-produced coal and purchased coal	**406.2**	92.4	417.4	(2.7)
	Coal purchased through domestic trade	**26.5**	6.0	71.2	(62.8)
	Imported coal	**6.9**	1.6	15.2	(54.6)
By customers	External customers	**361.1**	82.1	413.2	(12.6)
	Power segment of the Group	**74.7**	17.0	86.4	(13.5)
	Coal chemical segment of the Group	**3.8**	0.9	4.2	(9.4)
By region	Northern China	**244.7**	55.6	209.3	16.9
	Eastern China	**121.6**	27.7	140.6	(13.5)
	Central China and Southern China	**48.9**	11.1	49.8	(1.9)
	Northeast China	**23.6**	5.4	42.2	(44.1)
	Others	**0.8**	0.2	61.9	(98.7)
By usage	Thermal coal	**285.5**	64.9	300.3	(4.9)
	Metallurgy	**7.5**	1.8	11.7	(35.8)
	Chemical (including coal slurry)	**34.4**	7.8	38.2	(9.9)
	Others	**112.2**	25.5	153.6	(27.0)
		2014 million tonnes	**Proportion of export sales %**	**2013 million tonnes**	**Change %**
(II) Export Sales		**1.6**	100.0	2.7	(40.7)
	South Korea	**1.0**	62.5	1.3	(23.1)
	China Taiwan	**–**	–	0.4	(100.0)
	Japan	**0.6**	37.5	0.7	(14.3)
	Others	**–**	–	0.3	(100.0)
(III) Foreign sales		**9.9**		8.3	19.3
Total sales		**451.1**		514.8	(12.4)

Breakdown of Commercial Coal Production

	2014 million tonnes	2013 million tonnes	Change %
Shendong Coal Group	**168.9**	178.4	(5.3)
Bulianta	**28.2**	27.1	4.1
Daliuta-Huojitu	**35.8**	34.7	3.2
Yujialiang	**17.2**	17.1	0.6
Shangwan	**15.0**	14.7	2.0
Halagou	**14.9**	14.8	0.7
Baode (Kangjiatan)	**4.5**	9.0	(50.0)
Shigetai	**10.5**	11.0	(4.5)
Wulanmulun	**7.4**	7.5	(1.3)
Bu'ertai	**17.9**	16.4	9.1
Wanli No.1 mine (Changhangou)	**3.1**	10.9	(71.6)
Liuta mine	**3.8**	3.9	(2.6)
Cuncaota No. 1 mine	**3.3**	4.5	(26.7)
Cuncaota No. 2 mine	**5.9**	4.4	34.1
Others	**1.4**	2.4	(41.7)
Zhunge'er Energy Company	**30.4**	30.8	(1.3)
Heidaigou	**30.4**	30.8	(1.3)
Ha'erwusu Branch	**31.4**	30.5	3.0
Beidian Shengli Energy	**17.0**	17.9	(5.0)
Jinjie Energy	**18.9**	18.8	0.5
Shenbao Energy Company	**28.7**	31.4	(8.6)
Baotou Energy Company	**7.6**	8.3	(8.4)
Shuiquan Open-cut Mine	**0.8**	2.5	(68.0)
Adaohai Mine	**0.9**	0.9	–
Lijiahao Mine	**5.9**	4.9	20.4
Shendong Power Company	**1.6**	–	N/A
Huangyuchuan Mine	**1.6**	–	N/A
EMM Indonesia	**2.1**	2.0	5.0
Total production	**306.6**	318.1	(3.6)
By Regions			
Inner Mongolia	**202.2**	209.6	(3.5)
Shaanxi	**97.8**	97.5	0.3
Shanxi	**4.5**	9.0	(50.0)
Overseas	**2.1**	2.0	5.0

Breakdown of Railway Turnover

	2014 billion tonne km	2013 billion tonne km	Change %
Self-owned railways	**223.8**	211.6	5.8
Shenshuo Railway	**52.8**	50.7	4.1
Shuohuang-Huangwan Railway	**138.2**	131.2	5.3
Dazhun Railway	**22.5**	19.7	14.2
Baoshen Railway	**10.3**	10.0	3.0
State-owned railways	**45.5**	50.7	(10.3)
Total railway turnover	**269.3**	262.3	2.7

Other Assets

Name

Watermark Coal Project in Australia (preliminary work in progress)
Xinjie Taigemiao Exploration Area (applying for permits)
Ganquan Railway
Bazhun Railway (under trial operation)
Zhunchi Railway (under trial operation)
Tahan Railway (under trial operation)

Railway	Length km	Commencement date
Huangda Railway	224	September 2014
Arun to Morin Railway	97	October 2014

Notes: (1) The figures include the power generation and power output dispatch of coal-fired power generation business and other power generation businesses.
(2) Seaborne coal in ports = self-produced and purchased coal for seaborne sales of domestic sales + seaborne sales of export sales. The calculation of seaborne coal in ports does not include seaborne coal purchased through domestic trade.
(3) The scope of data of Baotou Mines as at 31 December 2014 include Adaohai Mine and Shuiquan Open-cut Mine. The data as at 31 December 2013 have been reclassified according to such adjustment.
(4) Shenhua Sichuan Energy operates thermal power generation and hydropower generation businesses.
(5) The standard coal consumption for power output dispatch of Yuyao Power is a converted amount.

Breakdown of Shipping Volume

	2014 million tonnes	2013 million tonnes	Change %
Shenhua Zhonghai Shipping Company			
The Group's internal customers	**47.1**	49.9	(5.6)
External customers	**40.6**	68.7	(40.9)
Total of shipping volume	**87.7**	118.6	(26.1)

Breakdown of Seaborne Coal in Ports

	2014 million tonnes	2013 million tonnes	Change %
Self-owned ports	**174.0**	160.0	8.8
Huanghua Port	**131.6**	127.4	3.3
Shenhua Tianjin Coal Dock	**36.6**	31.1	17.7
Shenhua Zhuhai Coal Dock	**5.8**	1.5	286.7
Third-party ports	**61.8**	67.3	(8.2)
Total seaborne coal	**235.8**	227.3	3.7

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 2013 MW	Increase/(decrease) in installed capacity for 2014 MW	Total installed capacity as at 31 December 2014 MW	Equity installed capacity as at 31 December 2014 MW
Cangdong Power	North China Power Grid	Hebei	149.6	142.2	5,937	309	349	2,520	–	2,520	1,285
Sanhe Power	North China Power Grid	Hebei	71.8	66.5	5,525	309	360	1,300	–	1,300	501
Dingzhou Power	North China Power Grid	Hebei	134.9	124.6	5,354	323	355	2,520	–	2,520	1,021
Panshan Power	North China Power Grid	Tianjin	62.6	58.7	6,074	316	373	1,030	30	1,060	482
Zhunge'er Power	North China Power Grid	Inner Mongolia	43.3	39.0	4,510	366	251	960	–	960	554
Shendong Power	Northwest/North China/ Shaanxi Provincial Local Power Grid	Inner Mongolia	212.2	193.3	5,094	357	253	4,167	–	4,167	3,657
Guohua Zhunge'er	North China Power Grid	Inner Mongolia	76.6	69.4	5,803	316	256	1,320	–	1,320	639
Guohua Hulunbei'er Power	Northeast Power Grid	Inner Mongolia	47.6	42.8	3,964	330	266	1,200	–	1,200	960
Beijing Thermal	North China Power Grid	Beijing	21.8	19.1	5,458	281	424	400	–	400	280
Suizhong Power	Northeast Power Grid	Liaoning	144.5	135.6	4,015	312	348	3,600	–	3,600	1,800
Zheneng Power	East China Power Grid	Zhejiang	239.4	227.0	5,440	302	400	4,400	–	4,400	2,640
Taicang Power	East China Power Grid	Jiangsu	73.6	70.1	5,839	304	341	1,260	–	1,260	630
Jinjie Energy	North China Power Grid	Shaanxi	171.1	157.5	7,128	327	308	2,400	–	2,400	1,680
Shenmu Power	Northwest Power Grid	Shaanxi	12.4	11.0	5,623	378	322	220	–	220	112
Taishan Power	South China Power Grid	Guangdong	232.9	218.9	4,657	312	429	5,000	–	5,000	4,000
Huizhou Thermal	South China Power Grid	Guangdong	35.2	32.1	5,340	324	435	660	–	660	660
Mengjin Power	Central China Power Grid	Henan	61.6	57.9	5,135	310	373	1,200	–	1,200	612
Chenjiagang Power	East China Power Grid	Jiangsu	74.4	70.6	5,633	292	347	1,320	–	1,320	726
Shenwan Energy	East China Power Grid	Anhui	136.9	129.3	5,266	325	362	2,600	–	2,600	1,326
Shenhua Sichuan Energy[4]	Central China Power Grid	Sichuan	40.8	36.9	3,240	338	408	1,260	–	1,260	604
Fujian Energy	East China Power Grid	Fujian	51.6	48.4	4,160	348	376	1,240	–	1,240	481
EMM Indonesia	PLN (Perusahaan Listrik Negara)	Indonesia	20.3	18.1	6,778	372	410	300	–	300	210
Total for coal-fired power plants/Weighted average			2,115.1	1,969.0	5,174	321	351	40,877	30	40,907	24,860
Other power plants											
Zhuhai Wind	South China Power Grid	Guangdong	0.2	0.2	1,415	–	598	16	–	16	12
Yuyao Power[5]	East China Power Grid	Zhejiang	19.3	18.7	2,471	232	773	780	–	780	624
Shenhua Sichuan Energy[4]	Sichuan Provincial Local Power Grid	Sichuan	6.7	6.5	5,321	–	234	125	–	125	48

Breakdown of Coal Resources/Reserve

Mines	Major mining method	Recoverable coal reserve (under PRC standard) As at 31 December 2014 100 million tonnes	As at 31 December 2013 100 million tonnes	Change %	Marketable coal reserve (under JORC standard) As at 31 December 2014 100 million tonnes	As at 31 December 2013 100 million tonnes	Change %	Coal resources As at 31 December 2014 100 million tonnes	As at 31 December 2013 100 million tonnes	Change %
Shendong Mines	Underground	**98.86**	85.94	15.0	**43.62**	45.56	(4.3)	**168.59**	170.69	(1.2)
Zhunge'er Mines	Open-cut, underground	**33.37**	34.50	(3.3)	**19.98**	20.62	(3.1)	**41.38**	41.99	(1.5)
Shengli Mines	Open-cut	**14.31**	14.42	(0.8)	**7.43**	7.60	(2.2)	**20.77**	20.88	(0.5)
Baorixile Mines	Open-cut	**12.63**	12.86	(1.8)	**13.02**	13.31	(2.2)	**14.79**	15.02	(1.5)
Baotou Mines[3]	Open-cut, underground	**0.62**	0.66	(6.1)	**0.15**	0.16	(6.3)	**1.03**	1.13	(8.8)
Total of China Shenhua		**159.79**	148.38	7.7	**84.20**	87.25	(3.5)	**246.56**	249.71	(1.3)

2014 Overview of Consolidated Operating Results

Consolidated statement of profit or loss

	2014 RMB million	2013 RMB million	Change %
Revenue	**248,360**	283,797	(12.5)
Cost of sales	**(174,843)**	(202,431)	(13.6)
Gross profit	**73,517**	81,366	(9.6)
Selling, general and administrative expenses	**(9,459)**	(10,118)	(6.5)
Other gains and losses	**(749)**	(889)	(15.7)
Other income	**933**	533	75.0
Other expenses	**(417)**	(364)	14.6
Interest income	**804**	754	6.6
Finance costs	**(4,094)**	(2,942)	39.2
Share of results of associates	**410**	588	(30.3)
Profit before income tax	**60,945**	68,928	(11.6)
Income tax expense	**(12,562)**	(13,704)	(8.3)
Profit for the year attributable to	**48,383**	55,224	(12.4)
Equity holders of the Company	**38,689**	45,079	(14.2)
Non-controlling interests	**9,694**	10,145	(4.4)
Basic earnings per share (RMB/share)	**1.945**	2.266	(14.2)

Breakdown of revenue

	2014 RMB million	2013 RMB million	Change %
Revenue from principal businesses	**214,095**	256,363	(16.5)
Coal revenue	**132,592**	167,399	(20.8)
Power revenue	**71,812**	77,423	(7.2)
Transportation revenue	**4,323**	6,078	(28.9)
Coal chemical revenue	**5,368**	5,463	(1.7)
Other revenue	**34,265**	27,434	24.9
Total revenue	**248,360**	283,797	(12.5)

Breakdown of cost of sales

	2014 RMB million	2013 RMB million	Change %
Coal purchased	**43,545**	73,876	(41.1)
Materials, fuel and power	**20,640**	21,857	(5.6)
Personnel expenses	**10,980**	11,347	(3.2)
Depreciation and amortisation	**18,700**	16,955	10.3
Repairs and maintenance	**9,270**	9,041	2.5
Transportation charges	**14,526**	18,948	(23.3)
Taxes and surcharges	**4,051**	4,845	(16.4)
Other operating costs	**53,131**	45,562	16.6
Total cost of sales	**174,843**	202,431	(13.6)

Cost of sales – Breakdown of other operating costs

	2014 RMB million	2013 RMB million	Change %
Coal selection and minery fees	**8,379**	9,546	(12.2)
Taxes and fees	**1,708**	861	98.4
Dredging expenses	**309**	323	(4.3)
Relocation compensation expenses	**1,471**	1,373	7.1
Operating lease charges	**168**	360	(53.3)
Resources compensation fees	**511**	606	(15.7)
Enviornmental related expenses	**3,269**	3,577	(8.6)
Cost of sale of ancillary materials and other goods, and provision of other services	**30,757**	24,071	27.8
Others	**6,559**	4,845	35.4
Total cost of sales – other operating costs	**53,131**	45,562	16.6

Breakdown of coal sales price

	2014 Sales volume million tonnes	2014 Percentage to total sales volume %	2014 Price RMB/tonne	2013 Sales volume million tonnes	2013 Percentage to total sales volume %	2013 Price RMB/tonne	Change in sales volume %	Change in sales price %
I. Domestic sales	**439.6**	**97.4**	**346.7**	503.8	97.9	385.7	(12.7)	(10.1)
(I) Self-produced coal and purchased coal	**406.2**	**90.0**	**342.6**	417.4	81.1	372.4	(2.7)	(8.0)
1. Direct arrival	**171.9**	**38.1**	**251.3**	192.8	37.5	277.4	(10.8)	(9.4)
2. Seaborne	**234.3**	**51.9**	**409.7**	224.6	43.6	453.9	4.3	(9.7)
(II) Sales of domestic trading coal	**26.5**	**5.9**	**380.1**	71.2	13.8	439.6	(62.8)	(13.5)
(III) Sales of imported coal	**6.9**	**1.5**	**458.8**	15.2	3.0	500.0	(54.6)	(8.2)
II. Export sales	**1.6**	**0.4**	**557.0**	2.7	0.5	598.7	(40.7)	(7.0)
III. Overseas coal sales	**9.9**	**2.2**	**524.3**	8.3	1.6	623.0	19.3	(15.8)
1. EMM Indonesia	**2.1**	**0.5**	**100.3**	2.0	0.4	92.0	5.0	9.0
2. Re-export trade	**7.8**	**1.7**	**636.6**	6.3	1.2	787.9	23.8	(19.2)
Total sales volume/weighted average price	**451.1**	**100.0**	**351.4**	514.8	100.0	390.7	(12.4)	(10.1)
Of which: Sales to external customers	**370.5**	**82.2**	**357.9**	422.2	82.0	397.1	(12.2)	(9.9)
Sales to internal power segment	**76.8**	**17.0**	**322.5**	88.4	17.2	358.8	(13.1)	(10.1)
Sales to internal coal chemical segment	**3.8**	**0.8**	**296.5**	4.2	0.8	265.4	(9.5)	11.7

Statement of cash flows generated from operating activities

	2014 RMB million	2013 RMB million	Change %
Profit before income tax	**60,945**	68,928	(11.6)
Adjustments for: Depreciation and amortisation	**20,749**	19,187	8.1
Other gains and losses	**749**	889	(15.7)
Interest income	**(804)**	(754)	6.6
Share of results of associates	**(410)**	(588)	(30.3)
Interest expense	**4,417**	3,685	19.9
Fair value loss on derivative financial instruments and trading debt securities	**5**	156	(96.8)
Exchange gain, net	**(328)**	(899)	(63.5)
Other income	**(76)**	(4)	1,800.0
Operating cash flows before movements in working capital	**85,247**	90,600	(5.9)
Decrease (increase) in inventories	**1,644**	(1,992)	(182.5)
Increase in accounts and bills receivable	**(2,701)**	(7,218)	(62.6)
Increase in prepayments and other receivables	**(3,068)**	(15,554)	(80.3)
Increase in accounts and bills payable	**486**	6,169	(92.1)
Increase (decrease) in accrued expenses and other payables	**(1,477)**	36	(4,202.8)
Cash generated from operations	**80,131**	72,041	11.2
Income tax paid	**(12,620)**	(17,753)	(28.9)
Net cash generated from operating activities	**67,511**	54,288	24.4

2014 Overview of Operating Conditions by Segment

Segment results

	Coal 2014 RMB million	Coal 2013 RMB million	Power 2014 RMB million	Power 2013 RMB million	Railway 2014 RMB million	Railway 2013 RMB million	Port 2014 RMB million	Port 2013 RMB million
Revenue from external customers	**163,505**	192,176	**72,967**	78,436	**3,222**	3,278	**299**	159
Revenue from inter-segment transactions	**28,765**	37,166	**356**	472	**27,404**	26,691	**3,877**	3,579
Sub-total of segment revenue	**192,270**	229,342	**73,323**	78,908	**30,626**	29,969	**4,176**	3,738
Segment cost of sales	**(161,674)**	(188,276)	**(51,171)**	(57,781)	**(14,742)**	(15,102)	**(1,995)**	(1,770)
Segment profit from operations	**26,068**	35,919	**19,629**	18,459	**14,298**	13,590	**1,729**	1,649
	As at 31 December 2014 RMB million	As at 31 December 2013 RMB million	**As at 31 December 2014 RMB million**	As at 31 December 2013 RMB million	**As at 31 December 2014 RMB million**	As at 31 December 2013 RMB million	**As at 31 December 2014 RMB million**	As at 31 December 2013 RMB million
Segment total assets	**245,545**	224,803	**199,611**	178,457	**122,033**	104,061	**21,974**	20,709
Segment total liabilities	**(115,876)**	(115,964)	**(110,324)**	(106,656)	**(59,965)**	(54,601)	**(9,917)**	(10,877)

	Shipping 2014 RMB million	Shipping 2013 RMB million	Coal chemical 2014 RMB million	Coal chemical 2013 RMB million	Unallocated items 2014 RMB million	Unallocated items 2013 RMB million	Eliminations 2014 RMB million	Eliminations 2013 RMB million	Total 2014 RMB million	Total 2013 RMB million
Revenue from external customers	**1,300**	3,045	**5,878**	5,990	**1,189**	713	**–**	–	**248,360**	283,797
Revenue from inter-segment transactions	**1,734**	2,042	**2**	–	**877**	716	**(63,015)**	(70,666)	**–**	–
Sub-total of segment revenue	**3,034**	5,087	**5,880**	5,990	**2,066**	1,429	**(63,015)**	(70,666)	**248,360**	283,797
Segment cost of sales	**(2,570)**	(4,686)	**(4,245)**	(4,307)	**(210)**	(164)	**61,764**	69,655	**(174,843)**	(202,431)
Segment profit from operations	**361**	317	**1,410**	1,510	**1,198**	262	**(1,251)**	(946)	**63,442**	70,760
	As at 31 December 2014 RMB million	As at 31 December 2013 RMB million	**As at 31 December 2014 RMB million**	As at 31 December 2013 RMB million	**As at 31 December 2014 RMB million**	As at 31 December 2013 RMB million	**As at 31 December 2014 RMB million**	As at 31 December 2013 RMB million	**As at 31 December 2014 RMB million**	As at 31 December 2013 RMB million
Segment total assets	**8,247**	8,114	**13,529**	13,340	**343,018**	320,241	**(415,060)**	(356,427)	**538,897**	513,298
Segment total liabilities	**(2,449)**	(2,643)	**(7,007)**	(7,780)	**(175,390)**	(137,031)	**303,630**	256,896	**(177,298)**	(178,656)

Cost of sales of coal segment

	2014 Cost RMB million	2014 Volume million tonnes	2014 Unit cost RMB/tonne	2013 Cost RMB million	2013 Volume million tonnes	2013 Unit cost RMB/tonne	Change in unit cost %
Coal purchased	**43,545**	**152.4**	**285.7**	73,876	201.2	367.2	(22.2)
Production cost of self-produced coal	**39,432**	**298.7**	**132.0**	42,794	313.6	136.5	(3.3)
Materials, fuel and power	**7,357**	**298.7**	**24.6**	8,341	313.6	26.6	(7.5)
Personnel expenses	**4,586**	**298.7**	**15.4**	4,766	313.6	15.2	1.3
Repairs and maintenance	**2,969**	**298.7**	**9.9**	2,884	313.6	9.2	7.6
Depreciation and amortisation	**6,657**	**298.7**	**22.3**	5,793	313.6	18.5	20.5
Others	**17,863**	**298.7**	**59.8**	21,010	313.6	67.0	(10.7)
Taxes and surcharges	**2,730**			2,882			
Cost of coal transportation(Note)	**43,580**			42,510			
Cost of other business	**32,387**			26,214			
Total cost of sales of coal segment	**161,674**			188,276			

Cost of sales of power segment

	2014 Cost RMB million	2014 Power output dispatch 100 million kwh	2014 Unit cost RMB/mwh	2013 Cost RMB million	2013 Power output dispatch 100 million kwh	2013 Unit cost RMB/mwh	Change of unit cost %
Cost of power output dispatch	**49,784**	**1,994.4**	**249.6**	56,238	2,101.8	267.6	(6.7)
Materials, fuel and power	**34,948**	**1,994.4**	**175.2**	40,812	2,101.8	194.2	(9.8)
Personnel expenses	**3,155**	**1,994.4**	**15.8**	3,191	2,101.8	15.2	3.9
Repairs and maintenance	**2,440**	**1,994.4**	**12.2**	2,622	2,101.8	12.5	(2.4)
Depreciation and amortisation	**7,233**	**1,994.4**	**36.3**	7,400	2,101.8	35.2	3.1
Others	**2,008**	**1,994.4**	**10.1**	2,213	2,101.8	10.5	(3.8)
Taxes and surcharges	**730**			683			
Cost of other business	**657**			860			
Total cost of sales of power segment	**51,171**			57,781			

Cost of sales of railway segment

	2014 RMB million	2013 RMB million	Change %
Cost of internal transportation business	**12,575**	12,178	3.3
Materials, fuel and power	**2,437**	2,915	(16.4)
Personnel expenses	**2,215**	2,367	(6.4)
Repairs and maintenance	**3,135**	2,777	12.9
Depreciation and amortisation	**2,661**	2,018	31.9
External transportation charges	**505**	465	8.6
Others	**1,622**	1,636	(0.9)
Cost of external transportation business	**1,560**	1,617	(3.5)
Sub-total	**14,135**	13,795	2.5
Taxes and surcharges	**295**	980	(69.9)
Cost of other business	**312**	327	(4.6)
Total cost of sales of railway segment	**14,742**	15,102	(2.4)

Cost of sales of port segment

	2014 RMB million	2013 RMB million	Change %
Cost of internal transportation business	**1,773**	1,614	9.9
Materials, fuel and power	**290**	257	12.8
Personnel expenses	**233**	213	9.4
Repairs and maintenance	**101**	112	(9.8)
Depreciation and amortisation	**618**	494	25.1
Others	**531**	538	(1.3)
Cost of external transportation business	**160**	72	122.2
Sub-total	**1,933**	1,686	14.7
Taxes and surcharges	**18**	72	(75.0)
Cost of other business	**44**	12	266.7
Total cost of sales of port segment	**1,995**	1,770	12.7

Cost of sales of shipping segment

	2014 RMB million	2013 RMB million	Change %
Cost of internal transportation business	**1,222**	1,694	(27.9)
Materials, fuel and power	**424**	265	60.0
Personnel expenses	**–**	18	(100.0)
Repairs and maintenance	**12**	11	9.1
Depreciation and amortisation	**141**	98	43.9
External transportation charges	**425**	1,176	(63.9)
Others	**220**	126	74.6
Cost of external transportation business	**1,348**	2,989	(54.9)
Taxes and surcharges	**–**	3	(100.0)
Total cost of sales of shipping segment	**2,570**	4,686	(45.2)

Cost of sales of coal chemical segment

	2014 RMB million	2013 RMB million	Change %
Cost of coal chemical product	**3,677**	3,722	(1.2)
Materials, fuel and power	**2,034**	1,960	3.8
Personnel expenses	**277**	284	(2.5)
Repairs and maintenance	**359**	377	(4.8)
Depreciation and amortisation	**778**	761	2.2
Others	**229**	340	(32.6)
Taxes and surcharges	**68**	61	11.5
Cost of other business	**500**	524	(4.6)
Total cost of sales of coal chemical segment	**4,245**	4,307	(1.4)

Note: Cost of coal transportation refers to the transportation cost before eliminations on consolidation.

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

2015

主要資產分佈圖 Assets Distribution Map

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. 澳大利亞沃特馬克煤礦項目（前期工作階段） Watermark Coal Project in Australia (preliminary work in progress)
- A7. 新街台格廟勘查區（探礦權申請中） Xinjie Taigemiao Exploration Area (applying for exploration license)

電廠 Power

- B1. 滄東電力 Cangdong 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. 浙能電力 Zheneng 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 Taicang Power
- B18. 陳家港電力 Chenjiagang Power
- B19. 神皖能源 Shenwan Energy
- B20. 神華四川能源 Shenhua Sichuan Energy
- B21. 神華福建能源 Shenhua Fujian Energy
- B22. 印尼煤電 EMM Indonesia
- 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（試運行） Bazhun Railway (trial operation)
- C7. 甘泉鐵路 Ganquan Railway
- C8. 准池鐵路（試運行） Zhunchi Railway (trial operation)
- C9. 黃大鐵路（在建） Huangda Railway (under construction)
- C10. 塔韓鐵路（試運行） Tahan Railway (trial operation)
- C11. 阿莫鐵路（在建） Arun to Morin Railway (under construction)

港口 Port

- D1. 黃驊港 Huanghua Port
- D2. 天津煤碼頭 Tianjin Coal Dock
- D3. 珠海煤碼頭 Zhuhai Coal Dock
- D4. 羅源灣項目(籌備中) Luoyuan Wan Project (under preparation)

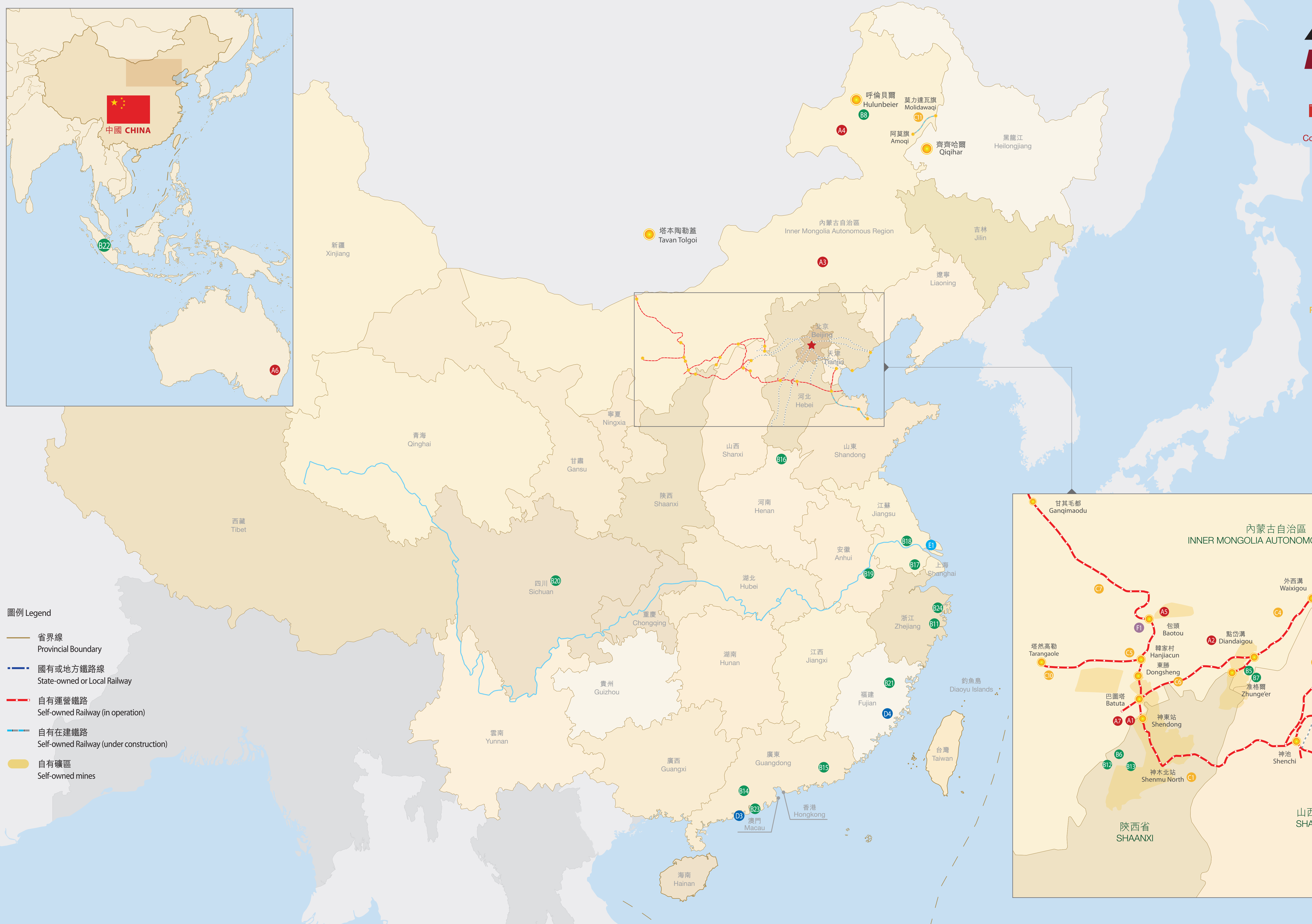
航運 Shipping

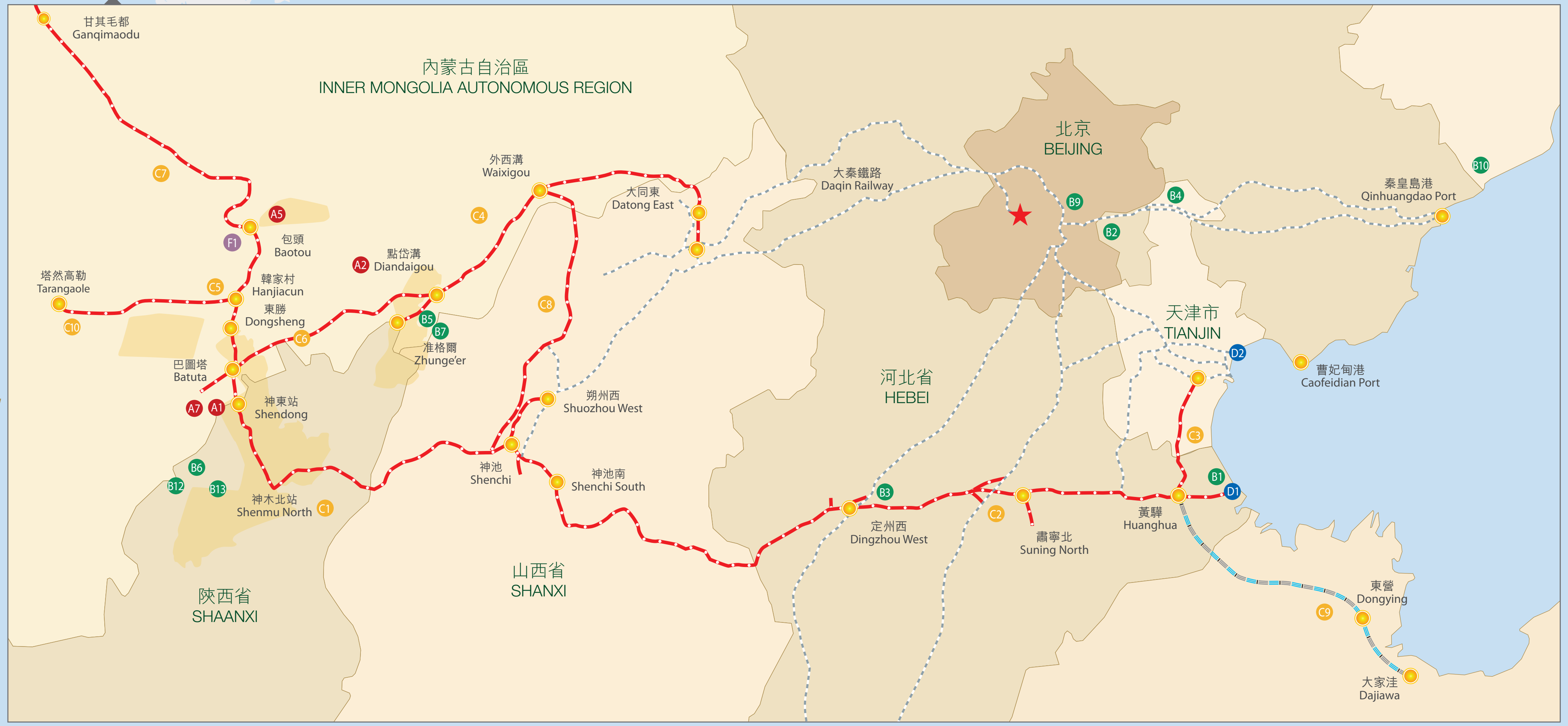
- E1. 神華中海航運 Shenhua Zhonghai Shipping Company

煤化工 Coal Chemical

- F1. 包頭煤化工 Baotou Coal Chemical

註： 於2015年3月20日之分佈圖，僅做示意。
Note: This map as at 20 March 2015 is for illustrative purpose only.





Equity structure diagram

Note: The equity structure diagram of China Shenhua (including major branches/subsidiaries) as at 31 December 2014 is for illustrative purpose only.

Management Discussion and Analysis

I. Management Discussion and Analysis on Operations during the Reporting Period

Summary of Operations

		Target for 2014 (adjusted)	Completed in 2014	Percentage of completion (%)	Completed in 2013	Change (%)
Commercial coal production	Million tonnes	305.4	**306.6**	100.4	318.1	(3.6)
Coal sales	Million tonnes	444.4	**451.1**	101.5	514.8	(12.4)
Total power output dispatch	Billion kwh	200.00	**199.44**	99.7	210.18	(5.1)
Revenue	RMB 100 million	2,457	**2,483.60**	101.1	2,837.97	(12.5)
Cost of sales	RMB 100 million	1,810	**1,748.43**	96.6	2,024.31	(13.6)
Selling, general and administrative expenses and net finance costs	RMB 100 million	135	**127.49**	94.4	123.06	3.6

Note: The Company adjusted its business targets for 2014 pursuant to a resolution passed at the 46th meeting of the second session of the board of directors held on 22 August 2014.

In 2014, confronted with complex and challenging situation, China Shenhua managed to fulfill its production and business targets for 2014 set by the board of directors. According to the – IFRSs, the Group recorded profit for the year attributable to equity holders of the Company of RMB38,689 million (2013: RMB45,079 million), and basic earnings per share of RMB1.945 (2013: RMB2.266/share), representing a year-on-year decrease of 14.2%.

Major financial indicators of the Group for 2014 are as follows:

		2014	2013	**Change (%)**
Return on total assets as at the end of the period	%	**9.0**	10.8	Decreased by 1.8 percentage points
Return on net assets as at the end of the period	%	**13.0**	16.3	Decreased by 3.3 percentage points
		As at 31 December 2014	As at 31 December 2013	Change (%)
Equity attributable to equity holders per share	RMB/share	**14.94**	13.92	7.3
Liability to asset ratio	%	**32.9**	34.8	Decreased by 1.9 percentage points
Total debt to total debt + total equity ratio	%	**20.9**	21.6	Decreased by 0.7 percentage point

Note: Please refer to the part of "Definitions" of this annual report for the calculations of the above indicators.

In 2014, the Group's EBITDA amounted to RMB84,574 million.

Analysis on principal business

1. Analysis of the Changes in the Items in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Cash Flows

Unit: RMB million

	2014	2013	Change (%)
Revenue	**248,360**	283,797	(12.5)
Cost of sales	**(174,843)**	(202,431)	(13.6)
Selling, general and administrative expenses	**(9,459)**	(10,118)	(6.5)
Other income	**933**	533	75.0
Finance costs	**(4,094)**	(2,942)	39.2
Share of results of associates	**410**	588	(30.3)
Net cash generated from operating activities	**67,511**	54,288	24.4
Of which: Net cash used in the operating activities of Shenhua Finance Company Note	**(887)**	(7,735)	(88.5)
Net cash generated from operating activities excluding the effect from Shenhua Finance Company	**68,398**	62,023	10.3
Net cash used in investing activities	**(43,163)**	(47,773)	(9.6)
Net cash used in financing activities	**(26,722)**	(19,796)	35.0

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

2. Revenue

(1) Analysis on the factors affecting the revenue

The Group achieved revenue of RMB248,360 million in 2014 (2013: RMB283,797 million), representing a year-on-year decrease of 12.5%. The main reasons for such change are (1) the oversupply of coal in China, resulting in a year-on-year decrease of 12.4% in the Group's sales of coal to 451.1 million tonnes (2013: 514.8 million tonnes); (2) the average sales price of commercial coal was RMB351.4 per tonne (2013: RMB390.7 per tonne), representing a year-on-year decrease of 10.1%; (3) being affected by a slowdown in the growth of the demand for electricity and an increase in the use of non-fossil fuels in power generation, the power output dispatch of the Group in 2014 was 199.44 billion kwh (2013: 210.18 billion kwh), representing a year-on-year decrease of 5.1%; average power tariff was RMB355/mwh (2013: RMB364/mwh), representing a year-on-year decrease of 2.5%; (4) an increase in the revenue of material trading business.

Please refer to the relevant contents in the latter part of this chapter for the analysis of the business operations of the Group in 2014 by business and by region.

(2) Major customers

Top five customers			
No.	Name of customer	2014	
		Revenue	Percentage to revenue
		RMB million	%
1	Guangdong Power Grid Corporation	**10,788**	4.3
2	Zhejiang Electric Power Company	**10,534**	4.2
3	State Grid Hebei Electric Power Company	**9,079**	3.7
4	Jiangsu Electric Power Company	**4,905**	2.0
5	State Grid Anhui Electric Power Company	**4,654**	1.9
Total		**39,960**	16.1

Note: The above transactions did not constitute connected transactions under the Shanghai Listing Rules, and also did not constitute non-exempt connected transactions under the Hong Kong Listing Rules.

The statistics of major customers include major customers other than Shenhua Group. For details of amounts of the transactions between the Group and Shenhua Group in relation to products, services and financial services during the reporting period, please refer to the section headed "Significant Events" of this report.

3. Cost of sales

(1) Cost analysis table

Unit: RMB million

Breakdown of cost items	Amount for the period	Percentage to cost of sales for the period (%)	Amount for the same period of the previous year	Percentage to cost of sales for the same period of the previous year (%)	Change in amount for the period over that of the same period of the previous year (%)
Coal purchased	**43,545**	24.9	73,876	36.5	(41.1)
Materials, fuel and power	**20,640**	11.8	21,857	10.8	(5.6)
Personnel expenses	**10,980**	6.3	11,347	5.6	(3.2)
Repairs and maintenance	**9,270**	5.3	9,041	4.5	2.5
Depreciation and amortization	**18,700**	10.7	16,955	8.4	10.3
Transportation charges	**14,526**	8.3	18,948	9.3	(23.3)
Taxes and surcharges	**4,051**	2.3	4,845	2.4	(16.4)
Other operating costs	**53,131**	30.4	45,562	22.5	16.6
Total cost of sales	**174,843**	100.0	202,431	100.0	(13.6)

The cost of sales of the Group in 2014 amounted to RMB174,843 million (2013: RMB202,431 million), representing a year-on-year decrease of 13.6%, of which (1) the cost of coal purchased decreased by 41.1% year-on-year to RMB43,545 million (2013: RMB73,876 million), which was mainly attributable to the decrease in the average price of coal and the Group's reduction in the sales of purchased coal based on the demand and supply of the coal market; (2) transportation charges decreased by 23.3% year-on-year to RMB14,526 million (2013: RMB18,948 million), which was primarily driven by the increase in the capacity of the Group's transportation segment and thus the decrease in external transportation charges; (3) taxes and surcharges decreased by 16.4% year-on-year to RMB4,051 million (2013: RMB4,845 million), which was mainly attributable to the decrease in tax and surcharge costs after the replacement of business tax with value-added tax in the railway segment; and (4) other operating costs increased by 16.6% year-on-year to RMB53,131 million (2013: RMB45,562 million), which was mainly attributable to the rising costs in the material trading business.

(2) Major suppliers

During the reporting period, the total procurement from the top five suppliers of the Company amounted to RMB19,647 million, accounting for 16.0% of the total procurement for the year. The purchases from the largest supplier were RMB6,355 million, accounting for 5.2% of the total procurement for the year. The above transactions did not constitute connected transactions under the Shanghai Listing Rules, and also did not constitute non-exempt connected transactions under the Hong Kong Listing Rules.

The statistics of major suppliers include major suppliers other than Shenhua Group. For details of amounts of the transactions between the Group and Shenhua Group in relation to products, services and financial services during the reporting period, please refer to the section headed "Significant Events" of this report.

4. Expenses

(1) Selling, general and administrative expenses: the selling, general and administrative expenses of the Group in 2014 was RMB9,459 million (2013: RMB10,118 million), representing a year-on-year decrease of 6.5%, which was mainly attributable to the lower loading charges at stations during the sales process.

(2) Finance costs: the finance costs of the Company in 2014 were RMB4,094 million (2013: RMB2,942 million), representing a year-on-year increase of 39.2%, which was mainly attributable to the increase in interest expenses as a result of a higher annual average borrowings balance, and the decrease in exchange gain from borrowings denominated in Japanese Yen.

5. Others

(1) Other income of the Group in 2014 amounted to RMB933 million (2013: RMB533 million), representing a year-on-year increase of 75.0%, which was mainly attributable to the increase in subsidy income.

(2) The Group's share of results of associates in 2014 amounted to RMB410 million (2013: RMB588 million), representing a year-on-year decrease of 30.3%, which was mainly attributable to the decrease in profits of the Company's associates.

6. Research and development expenditure

(1) Table of research and development expenditure

Unit: RMB million

Expensed research and development expenditure in the period	375
Capitalized research and development expenditure in the period	699
Total research and development expenditure	1,074
Percentage of total research and development expenditure to revenue (%)	0.4

(2) Explanation

The total research and development expenditure of the Group in 2014 amounted to RMB1,074 million, which was mainly attributable to the technological research of the Group on further strengthening the clean utilization of coal as well as on green mining, ultra-low emission of coal-fired generators, digital mines, comprehensive use of coal ash after combustion and heavy-loaded railways. The increase in research and development investment is in line with the Group's strategic principle of promoting the development of clean energy, which allows the Group to enhance its core competitiveness and its ability to maintain sustainable growth.

7. Cash flow

(1) Net cash generated from operating activities was RMB67,511 million (2013: RMB54,288 million), representing a year-on-year increase of 24.4%, of which net cash used in operating activities of Shenhua Finance Company was RMB887 million (2013: RMB7,735 million), representing a year-on-year decrease of 88.5%; excluding the effects of Shenhua Finance Company, net cash generated from operating activities of the Group was RMB68,398 million (2013: RMB62,023 million), representing a year-on-year increase of 10.3%. This was mainly due to the decrease in various taxes and fees paid as well as the year-on-year decrease in inventory.

(2) Net cash used in investing activities was RMB43,163 million (2013: RMB47,773 million), representing a year-on-year decrease of 9.6%. This was mainly due to the decrease in cash paid for the acquisition and construction of long-term assets including fixed assets.

(3) Net cash used in financing activities was RMB26,722 million (2013: RMB19,796 million), representing a year-on-year increase of 35.0%. This was mainly due to the decrease in the net cash generated from debt financing activities.

8. Changes in the composition of profit

The major changes in the composition of profit of the Company during the reporting period were as follows: the proportion of the profit from operations of the coal segment decreased while that of the power and transportation segments increased. Based on the profit from operations of all business segments before eliminations upon consolidation under the International Financial Reporting Standards, the percentages of the profit from operations attributable to the coal, power, transportation and coal chemical segments changed to 41%, 31%, 26% and 2% respectively in 2014 from 50%, 26%, 22% and 2% in 2013.

Analysis on Operating Results by Business Segment

(I) Coal Segment

1. Overview of production and operations

In 2014, the Company actively responded to market fluctuation by reasonably organizing production for the entire year. Based on market demand and the principle of maximizing economic efficiency, the Company adjusted the production volume of various coal mines scientifically. The Company also strengthened the standard of equipment and production technology and continuously improved production efficiency. Efforts were made to step up the management of the operation of coal selection plants, enhance coal quality control and optimize product mix. As a result, the market competitive edge of the Company's coal products was further sharpened.

The Company actively adjusted coal production volume based on market demand. Commercial coal production volume for the year reached 306.6 million tonnes (2013: 318.1 million tonnes), representing a year-on-year decrease of 3.6%.

Shendong Mines (including Jinjie Mine) enhanced its research and forecast on market trend and production dispatching, strengthened refined management in organizing production, adjusted product mix timely in line with market demand and optimized coal washing and selection skills. Its commercial coal production volume reached 187.8 million tonnes in 2014 (2013: 197.2 million tonnes), representing a year-on-year decrease of 4.8%. Zhunge'er Mines meticulously organized its production and its commercial coal production volume reached 61.8 million tonnes (2013: 61.3 million tonnes), representing a year-on-year growth of 0.8%. Baorixile Mines strengthened its management in the operation of equipment and enhanced the productivity and operating reliability of the system. Its commercial coal production volume reached 28.7 million tonnes (2013: 31.4 million tonnes), representing a year-on-year decrease of 8.6%. Commercial coal production volume of Baotou Mines (including Lijiahao Mine) reached 7.6 million tonnes (2013: 8.3 million tonnes), representing a year-on-year decrease of 8.4%. Commercial coal production volume of Shengli Mines reached 17.0 million tonnes (2013: 17.9 million tonnes), representing a year-on-year decrease of 5.0%.

During the year, the coal segment of the Group accomplished total footage of advancing tunnels of 643 thousand meters (2013: 707 thousand meters), representing a year-on-year decrease of 9.1%. Specifically, Shendong Mines recorded total footage of advancing tunnels of 626 thousand meters, representing a year-on-year decrease of 8.1%; and Baotou Mines recorded total footage of advancing tunnels of 17 thousand meters, representing a year-on-year decrease of 34.6%.

2. Coal sales

In 2014, the Company adopted flexible pricing policy, strengthened market extension and maintenance and further explored potential market demand by securing new customers in a proactive manner. Due to the sluggish market demand, coal sales volume of the Company amounted to 451.1 million tonnes in 2014 (2013: 514.8 million tonnes), representing a year-on-year decrease of 12.4%. In 2014, the weighted average coal sales price of the Company was RMB351.4/tonne (2013: RMB390.7/tonne), representing a year-on-year decrease of 10.1%.

A. By sales types

	2014			2013			Change	
	Sales volume	Proportion of total sales	Price	Sales volume	Proportion of total sales	Price	Sales volume	Price
	million tonnes	%	RMB/tonne	million tonnes	%	RMB/tonne	%	%
I. Domestic sales	**439.6**	**97.4**	**346.7**	503.8	97.9	385.7	(12.7)	(10.1)
(I) Self-produced coal and purchased coal	**406.2**	**90.0**	**342.6**	417.4	81.1	372.4	(2.7)	(8.0)
1. Direct arrival	**171.9**	**38.1**	**251.3**	192.8	37.5	277.4	(10.8)	(9.4)
2. Seaborne	**234.3**	**51.9**	**409.7**	224.6	43.6	453.9	4.3	(9.7)
(II) Sales of domestic trading coal	**26.5**	**5.9**	**380.1**	71.2	13.8	439.6	(62.8)	(13.5)
(III) Sales of imported coal	**6.9**	**1.5**	**458.8**	15.2	3.0	500.0	(54.6)	(8.2)
II. Export Sales	**1.6**	**0.4**	**557.0**	2.7	0.5	598.7	(40.7)	(7.0)
III. Overseas coal sales	**9.9**	**2.2**	**524.3**	8.3	1.6	623.0	19.3	(15.8)
1. EMM Indonesia	**2.1**	**0.5**	**100.3**	2.0	0.4	92.0	5.0	9.0
2. Re-export trade	**7.8**	**1.7**	**636.6**	6.3	1.2	787.9	23.8	(19.2)
Total sales volume/weighted average price	**451.1**	**100.0**	**351.4**	514.8	100.0	390.7	(12.4)	(10.1)

In 2014, domestic coal sales volume of the Company amounted to 439.6 million tonnes (2013: 503.8 million tonnes), representing a year-on-year decline of 12.7% and accounting for 97.4% of the total coal sales volume, which was mainly due to the decrease of the sales of trading coal and imported coal by the Company.

In 2014, the Company's domestic seaborne coal sales volume of self-produced coal and purchased coal amounted to 234.3 million tonnes (2013: 224.6 million tonnes), representing a year-on-year growth of 4.3% and accounting for 34.7% (2013: 34.0%) of the outbound shipment volume for domestic coal sales through major ports in China which amounted to 675.2 million tonnes, representing a year-on-year increase of 0.7 percentage point.

In 2014, the sales volume of the Company to the top five domestic customers of coal was 48.8 million tonnes, which accounted for 11.1% of the total domestic sales volume. Among which, the sales volume to the largest customer was 12.5 million tonnes, which accounted for 2.8% of the total domestic sales volume. The top five domestic customers of coal were primarily fuel companies and power generation companies.

The coal sales business of each mine of the Group is mainly coordinated by Shenhua Trading Group; and the majority of the coal products sold by the Company are thermal coal. For details of the operations of the major subsidiaries of the coal segment, please refer to "5. Major subsidiaries and associated companies" in this chapter.

B. By internal and external customers

	2014			2013			Change in price
	Sales volume	Percentage	Price	Sales volume	Percentage	Price	
	million tonnes	%	RMB/tonne	million tonnes	%	RMB/tonne	%
Sales to external customers	370.5	82.2	357.9	422.2	82.0	397.1	(9.9)
Sales to internal power segment	76.8	17.0	322.5	88.4	17.2	358.8	(10.1)
Sales to internal coal chemical segment	3.8	0.8	296.5	4.2	0.8	265.4	11.7
Total coal sales volume/weighted average price	451.1	100.0	351.4	514.8	100.0	390.7	(10.1)

In 2014, the percentage of the Company's coal sales volume to external customers and the Group's internal business segments remained stable. The Company adopted unified pricing policies in coal sales to both internal power segment and coal chemical segment and external customers.

3. Production safety

The Company strengthened the concept of safe production with risk prevention as the focus, setting up a database of hazard sources through information technology based management method so as to optimize the risk control and management mechanism and consolidate the foundation of safety management. In 2014, the fatality rate per million tonnes of raw coal production of the Company was 0.009, helping the Company to maintain its internationally leading position. Efforts in ensuring safe coal production are detailed in the 2014 CSR Report of the Company.

4. Environmental protection

In 2014, the Group continuously strived to build the brand of "Shenhua Clean Coal" featuring the quality of low sulphur, low ash and medium-to-high calorific value.

Upholding the philosophy of "producing environmentally-friendly coal and constructing ecological mines", the Company actively launched campaigns including conservation of soil and water as well as land reclamation and reforestation. The Group invested a total of RMB230 million in conservation of soil and water and ecological construction, and a total of RMB390 million in energy saving and environmental protection projects. Mining waste water consumption amounted to 63.06 million tonnes. At the end of 2014, balance of the "accrued reclamation obligations" amounted to RMB2,102 million, serving as strong financial guarantee for ecological construction.

5. Progress of projects

The construction of the ground auxiliary facilities of the Guojiawan Mine and Qinglongsi Mine projects were basically completed, and the coal washing plants are under construction and are expected to commence operation in 2015. The application for the exploration rights of Xinjie Mines is being actively advanced.

6. Coal resources

As at 31 December 2014, the Group had coal resources amounting to 24,656 million tonnes and recoverable coal reserve amounting to 15,979 million tonnes under the PRC Standard; and the Group's marketable coal reserve amounted to 8,420 million tonnes under the JORC Standard. During the reporting period, the Group obtained mining licenses for Guojiawan Mine and Qinglongsi Mine, with recoverable coal reserve under the PRC Standard increasing accordingly.

In 2014, the Company's exploration expenses (which were incurred before the conclusion of feasibility study and represented the expenses related to exploration and evaluation of coal resources) amounted to approximately RMB33 million (2013: RMB144 million), which was mainly attributable to the relevant exploration expenses of Watermark Coal Project in Australia.

In 2014, the Company's relevant capital expenditure of mining development and exploration amounted to approximately RMB5,647 million (2013: RMB8,017 million), which was mainly attributable to the development expenditure of Guojiawan Mine and Qinglongsi Mine, as well as the coal exploration expenditure of various mines including Shendong Mines.

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

No.	Mines	Major types of coal	Calorific value of major commercial coal products (kcal/kg)	Sulphur content	Ash content (average)
1	Shendong Mines	Long flame coal/non-caking coal	>5,250	≤0.6%	≈13.1%
2	Zhunge'er Mines	Long flame coal	>4,500	≤0.6%	≈27.5%
3	Shengli Mines	Lignite	>3,200	≤0.8%	≈18.9%
4	Baorixile Mines	Lignite	>3,600	≤0.8%	≈15.0%
5	Baotou Mines	Long flame coal/non-caking coal	>4,500	≤0.8%	≈21.0%

Note: The above calorific value, sulphur content and ash content of major commercial coal products produced by each mine 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.

7. Construction of Digital Mines

Capitalizing on the advantage of informatisation, the Company accelerated the construction of "Digital mines". The digitalized control system at Jinjie Mine was in full swing, which facilitated the integration of automation and informatisation of coal mines. The project has been awarded the Special Prize for Science and Technology Improvement in Coal Industry, and has been promoted and applied in 13 other coal mines including Daliuta Mine and Yujialiang Mine, achieving outstanding results. The traditional on-site direct control was replaced by indirect remote control where several control systems were consolidated into a unified platform, thereby reducing headcounts and increasing efficiency. The project also realized the demand-based operation of equipment and systems, which increased the efficiency of equipment operation, production efficiency and equipment utilization rate, and enhanced safety assurance.

8. Analysis of operating results

The operating results of the coal segment of the Group before elimination on consolidation in 2014 are as follows:

		2014	2013	Change (%)	Main reasons for changes
Revenue	RMB million	**192,270**	229,342	(16.2)	Decrease in coal sales volume and sales prices
Cost of sales	RMB million	**161,674**	188,276	(14.1)	Substantial decrease in cost of coal purchased from third parties
Of which:					
1. Production cost of self-produced coal	RMB million	**39,432**	42,794	(7.9)	Decrease in sales volume of self-produced coal
2. Cost of coal purchased from third parties	RMB million	**43,545**	73,876	(41.1)	Decrease in sales volume and purchase price of coal purchased from third parties
Gross profit margin	%	**15.9**	17.9	Decreased by 2.0 percentage points	
Profit from operations	RMB million	**26,068**	35,919	(27.4)	
Profit margin from operations	%	**13.6**	15.7	Decreased by 2.1 percentage points	

9. Unit production cost of self-produced coal

In 2014, unit production cost of self-produced coal in the coal segment was RMB132.0/tonne (2013: RMB136.5/tonne), representing a year-on-year decrease of 3.3%. The main factors affecting the unit production cost are:

A. costs of materials, fuel and power were RMB24.6/tonne (2013: RMB26.6/tonne), representing a year-on-year decrease of 7.5%. This decrease was mainly due to the decrease in prices in fuel and material.

B. personnel expenses were RMB15.4/tonne (2013: RMB15.2/tonne), representing a year-on-year increase of 1.3%. This increase was mainly due to an increase of unit personnel expenses as a result of the decrease in sales volume of coal;

C. repairs and maintenance expenses were RMB9.9/tonne (2013: RMB9.2/tonne), representing a year-on-year increase of 7.6%. The increase was mainly due to the growth in maintenance of coal-mining equipment and coal-washing and selecting equipment;

D. depreciation and amortization were RMB22.3/tonne (2013: RMB18.5/tonne), representing a year-on-year increase of 20.5%. This increase was mainly due to the decrease in sales volume of coal, resulting in an increase in unit depreciation and amortization cost;

E. other costs were RMB59.8/tonne (2013: RMB67.0/tonne), representing a year-on-year decrease of 10.7%. This decrease was mainly due to the year-on-year decrease in mining engineering expenses and vehicles expenses for transportation and production. Other costs consist of the following three components: (1) expenses directly related to production, including coal washing, selecting and processing expenses, and mining engineering expenses, etc., accounting for 53%; (2) auxiliary production expenses, accounting for 10%; (3) land requisition and surface subsidence compensation, environmental protection expenses, fees levied by local government, etc., accounting for 37%.

10. Analysis of cost of coal purchased from third parties

The Company's coal purchased from third parties includes coal purchased from the surrounding areas of the self-owned mines and railways, domestic trading coal, imported and re-exported coal.

In 2014, costs of coal purchased from third parties was RMB43,545 million (2013: RMB73,876 million), representing a year-on-year decrease of 41.1%.The decrease was mainly due to the decrease in purchasing price of coal and the Company's reduction in coal purchased from third parties in terms of sales volume according to the supply and demand in the coal market. The sales volume of coal purchased from third parties was 152.4 million tonnes (2013: 201.2 million tonnes), representing a year-on-year decrease of 24.3%, and its proportion of total sales volume of coal decreased to 33.8% in 2014 from 39.1% in 2013, of which the sales volume of domestic trading coal decreased by 44.7 million tonnes, or 62.8%; the sales volume of imported coal decreased by 8.3 million tonnes, or 54.6%.

2. Power segment

(1) Overview of production and operations

In 2014, the power segment stepped up its efforts in market expansion and maintained steady operation. Its profitability has further improved, and thereby making greater contribution to the Company's relatively better operating results. The gross power generation achieved 214.13 billion kwh, representing a year-on-year decrease of 5.0%; and power output dispatch of 199.44 billion kwh, representing a year-on-year decrease of 5.1%. The coal-fired generators operated in high loading ratio, with an average utilization hours of 5,174 hours for the year, 468 hours above the national average of 4,706 hours.

The power segment consumed a total of 79.6 million tonnes of the Group's coal, accounting for 88.0% of the 90.5 million tonnes of the thermal coal consumption of the power segment of the Group for the year.

(2) Environmental protection

The power segment strived to implement the clean energy development strategy of China Shenhua, and completed the desulfurization renovation for all of its coal-fired power generators. The proportion of coal-fired power generators with denitrification equipment in operation which had passed completion verification[1] reached 89.1%, gaining a leading position in the industry.

The Company implemented "ultra-low emission" renovation of coal-fired generators, and actively explored for the future development of coal-fired power generation industry. The emissions of air pollutants such as soot, sulphur dioxide and nitrogen oxide of Generator No.1 of Sanhe Power Plant reached the standard or even outperformed the emission standards set on gas-fired power generators, achieving encouraging demonstration effect. As at the end of the reporting period, the Company had completed the "ultra-low emission" renovation of five coal-fired generators in Sanhe Power, Huizhou Thermal and Dingzhou Power, with a total installed capacity of 2,350 MW.

(3) Progress of projects

Seven projects with a total installed capacity of 12,700 MW, including Jiangxi Shenhua Jiujiang Power Plant, Hunan Shenhua Yongzhou Power Plant, and etc., have been approved. Five projects under construction with a total installed capacity of 7,651 MW, including the Phase II of Anqing Power Generation Project of Shenwan Energy Company, are expected to be put into operation in 2015. The construction of the Guohua Shouguang Power Plant Project (2X1,000 MW) and the Luoyuanwan Port Coal Storage, Transshipment and Power Generation Integrated Project (2X1,000 MW) are in smooth progress.

1 The Company's coal-fired power generators have met the emission standards of nitrogen oxide, and the Company will continue to push forward the completion verification of other coal-fired generators in terms of the installation and operation of denitrification equipment.

(4) Analysis of operating results

The operating results of the power segment of the Group before eliminations on consolidation in 2014 are as follows:

		2014	2013	Change (%)	Main reasons for changes
Revenue	RMB million	**73,323**	78,908	(7.1)	Decrease in power output dispatch and average power tariff
Cost of sales	RMB million	**51,171**	57,781	(11.4)	Decrease in power output dispatch and unit fuel costs of power plants
Gross profit margin	%	**30.2**	26.8	Increased by 3.4 percentage points	
Profit from operations	RMB million	**19,629**	18,459	6.3	
Profit margin from operations	%	**26.8**	23.4	Increased by 3.4 percentage points	

The average power tariff of the Company in 2014 was RMB355/mwh (2013: RMB364/mwh), representing a year-on-year decrease of 2.5%; of which the average power tariff of the Company's thermal power plants in 2014 was RMB351/mwh (2013: RMB361/mwh), representing a year-on-year decrease of 2.8%. The unit cost of power output dispatch was RMB249.6/mwh (2013: RMB267.6/mwh), representing a year-on-year decrease of 6.7%. The decrease was mainly due to decreased fuel costs of power plants.

3. Railway segment

(1) Overview of production and operations

The railway segment improved efficiency through strengthened transportation scheduling and management, reasonable coal loading arrangement and tightened inspection of facilities along the railways; accelerated the arrangements for newly constructed railways to be put into operation, pushed forward research projects on core equipment and key technologies, thus ensuring smooth implementation of the integrated operation; and actively explored a new business mode of logistics.

In 2014, the transportation turnover of self-owned railways of the Group was 223.8 billion tonne km, representing a year-on-year increase of 5.8%, which accounted for 83.1% of the total turnover, representing an increase of 2.4 percentage points as compared to 80.7% in 2013.

(2) Progress of projects

The construction of Zhunchi Railway which connects with Ganquan Railway, Baoshen Railway, Shenshuo Railway, Bazhun Railway and Dazhun Railway to form a network of concentric transportation railways around the major coal production bases in western Shanxi, northern Shaanxi and southern Inner Mongolia was completed in its entirety and commenced trial operation, boosting railway capacity and enhancing transportation safety.

Tahan Railway was fully completed. Huangda Railway and Arun to Morin Railway commenced construction.

(3) Analysis of operating results

The operating results of the railway segment of the Group before eliminations on consolidation in 2014 are as follows:

		2014	2013	Change (%)	Main reasons for changes
Revenue	RMB million	**30,626**	29,969	2.2	Increase in turnover of railway transportation
Cost of sales	RMB million	**14,742**	15,102	(2.4)	(1) Input tax is deductible on materials, fuel and power costs after the replacement of business tax with value-added tax in the railway industry, and the decrease in taxes and surcharges such as business tax; (2) Decrease in fuel and power price
Gross profit margin	%	**51.9**	49.6	Increased by 2.3 percentage points	
Profit from operations	RMB million	**14,298**	13,590	5.2	
Profit margin from operations	%	**46.7**	45.3	Increased by 1.4 percentage points	

In 2014, the revenue generated from the internal transportation services provided by the railway segment for the Group amounted to RMB27,404 million (2013: RMB26,691 million), representing a year-on-year increase of 2.7%, accounting for 89.5% of the revenue of the railway segment (2013: 89.1%). Meanwhile, certain railway lines of the Group utilized their spare transportation capacity to provide transportation services for third parties and generated transportation revenue.

In 2014, the unit transportation cost in the railway segment was RMB0.063/tonne km (2013: RMB0.065/tonne km), representing a year-on-year decrease of 3.1%, mainly due to the replacement of business tax with value-added tax in the railway industry.

4. Port Segment

(1) Overview of production and operations

Huanghua Port enhanced the management of downloading operations, adjusted the layout of the stock yard and optimized its process, and seaborne coal reached 131.6 million tonnes, representing a year-on-year increase of 3.3%. Tianjin Coal Dock strengthened downloading operation communications and formulated dynamic measures for loading, and seaborne coal volume reached 36.6 million tonnes, representing a year-on-year increase of 17.7%. The seaborne coal sales through the self-owned ports of the Company accounted for 73.8% of the total seaborne coal sales, representing an increase of 3.4 percentage points as compared to 70.4% of the same period of last year.

(2) Progress of projects

Phase IV Project of Huanghua Port was completed and put into operation, leading to an increase in throughput capacity.

(3) Analysis of operating results

The operating results of the port segment of the Group before eliminations on consolidation in 2014 are as follows:

		2014	2013	Change (%)	Main reasons for changes
Revenue	RMB million	**4,176**	3,738	11.7	Increase in turnover volume of ports
Cost of sales	RMB million	**1,995**	1,770	12.7	Increase in turnover volume of ports and commencement of operation of new docks, leading to increase in operating and depreciation cost
Gross profit margin	%	**52.2**	52.6	Decreased by 0.4 percentage point	
Profit from operations	RMB million	**1,729**	1,649	4.9	
Profit margin from operations	%	**41.4**	44.1	Decreased by 2.7 percentage points	

In 2014, the revenue generated from the internal transportation services provided by the port segment for the Group amounted to RMB3,877 million (2013: RMB3,579 million), representing a year-on-year increase of 8.3% and accounting for 92.8% (2013: 95.7%) of the revenue of the port segment. Cost of internal transportation services provided for the Group amounted to RMB1,773 million.

5. Shipping Segment

(1) Overview of production and operations

The shipping segment improved its service quality by arranging vessels and coordinating with coal sales activities to contribute to the integrated operation. In 2014, shipping volume amounted to 87.7 million tonnes and shipment turnover amounted to 72.2 billion tonne nautical miles.

(2) Analysis of operating results

The operating results of the shipping segment of the Group before eliminations on consolidation in 2014 are as follows:

		2014	2013	Change (%)	Main reasons for changes
Revenue	RMB million	**3,034**	5,087	(40.4)	Decrease in shipping volume
Cost of sales	RMB million	**2,570**	4,686	(45.2)	Decrease in shipping volume and unit charter cost
Gross profit margin	%	**15.3**	7.9	Increased by 7.4 percentage points	
Profit from operations	RMB million	**361**	317	13.9	
Profit margin from operations	%	**11.9**	6.2	Increased by 5.7 percentage points	

In 2014, the unit transportation cost of the shipping segment was RMB0.036/tonne nautical mile (2013: RMB0.041/tonne nautical mile), representing a year-on-year decrease of 12.2%, mainly due to the significant drop in cost of external shipping operation and charter cost.

6. Coal Chemical Segment

(1) Overview of production and operations

With consolidated management of production, the coal chemical segment enhanced the standard of refined management, implemented detailed cost efficiency measures, and achieved safe, stable, long-cycled and high-efficient operation of the relevant production facilities. In 2014, the coal chemical segment recorded sales of coal-to-polyethylene products of 265.5 thousand tonnes and coal-to-polypropylene products of 268.1 thousand tonnes.

	2014		2013		Change	
	Sales volume	Price	Sales volume	Price	Sales volume	Price
	Thousand tonnes	**RMB/tonne**	Thousand tonnes	RMB/tonne	%	%
Polyethylene	**265.5**	**8,871.8**	262.4	8,836.1	1.2	0.4
Polypropylene	**268.1**	**8,628.9**	267.9	8,746.7	0.1	(1.3)

(2) Analysis of operating results

The operating results of the coal chemical segment of the Group before eliminations on consolidation in 2014 are as follows:

		2014	2013	Change (%)	Main reasons for changes
Revenue	RMB million	**5,880**	5,990	(1.8)	Decrease in the revenue of other chemical products
Cost of sales	RMB million	**4,245**	4,307	(1.4)	
Gross profit margin	%	**27.8**	28.1	Decreased by 0.3 percentage point	
Profit from operations	RMB million	**1,410**	1,510	(6.6)	
Profit margin from operations	%	**24.0**	25.2	Decreased by 1.2 percentage points	

(3) Unit production cost of main products

	2014		2013		Change	
	Production volume	Unit production cost	Production volume	Unit production cost	Production volume	Unit production cost
	Thousand tonnes	**RMB/tonne**	Thousand tonnes	RMB/tonne	%	%
Polyethylene	**261.1**	**6,009.0**	269.7	6,112.7	(3.2)	(1.7)
Polypropylene	**263.9**	**5,801.5**	275.3	5,866.9	(4.1)	(1.1)

Regional operation analysis

Unit: RMB million

	2014	2013
Revenue from external customers from mainland China	**243,127**	277,717
Revenue from external customers from other countries or regions	**5,233**	6,080
Total	**248,360**	283,797

Note: Revenue from external customers was classified based on the location at which the services were provided or the products were purchased.

The Group is mainly engaged in the production and sales of coal and power, railway, port and shipping transportation as well as coal-based chemical processing businesses such as coal-to-olefins in mainland China. In 2014, the revenue from external customers in mainland China was RMB243,127 million, accounting for 97.9% of the Group's revenue. Affected by factors such as the decrease in the sales volume of exported coal, revenue from external customers from other countries or regions decreased to a certain extent.

In 2014, the Group put more efforts in international exploration, and all projects have attained significant progress.

The operation of the PT.GH EMM Indonesia Project is running smoothly, which achieved favorable operating revenue. Its annual commercial coal production amounted to 2.1 million tonnes, power generation amounted to 2.03 billion kwh and the utilization hours amounted to 6,778 hours.

Five gas wells have been successfully put into operation in the shale gas project in the United States, which helped the Company to accumulate experience and train talents to further improve the development of its shale gas business.

The Watermark Coal Project in Australia has been approved by the National Development and Reform Commission and the relevant local approval procedures for the project progressed on a continuous basis.

The Company, as one of the bidding companies of the corporation conglomerate, was invited to further negotiate about the Tsankhi project in Mongolia. The preliminary work of Sino-Mongolia railway project is conducted in an orderly manner.

The exploration of Zashulanskoye project in Russia was proceeding smoothly.

Assets and Liabilities

Analysis of the changes in the items in the consolidated statement of financial position

Unit: RMB million

Item	Amount at the end of the period	Percentage of total assets at the end of the period (%)	Amount at the end of the previous period	Percentage of total assets at the end of the previous period (%)	Change of the amount (%)	Main reasons for changes
Property, plant and equipment	**281,514**	52.2	262,116	51.1	7.4	Increase in additional fixed assets used in the transportation segment
Available-for-sale investments	**1,795**	0.3	1,032	0.2	73.9	Increase in the investment in associated companies in the railway segment
Other non-current assets	**32,423**	6.0	28,148	5.5	15.2	Increase in long-term loans granted by Shenhua Finance Company
Inventories	**15,790**	2.9	17,641	3.4	(10.5)	Decrease in coal inventories
Accounts and bills receivable	**29,914**	5.6	27,221	5.3	9.9	Increase in bank acceptance bills receivable of the coal segment
Borrowings	**17,330**	3.2	38,503	7.5	(55.0)	Repayment of short-term borrowings upon maturity, and decrease in bank loans due within one year
Accrued expenses and other payables	**40,354**	7.5	42,692	8.3	(5.5)	Decrease in the balance of accrued staff wages and welfare benefits
Medium-term notes	**24,933**	4.6	4,958	1.0	402.9	Increase in the issuance of medium-term notes of the Company
Long-term payables	**1,546**	0.3	1,867	0.4	(17.2)	Decrease in payables for acquisition of mining rights
Reserves	**277,354**	51.5	257,013	50.1	7.9	Increase in the balance of reserves for maintenance and production funds
Non-controlling interests	**64,355**	11.9	57,739	11.2	11.5	Increase in profits from the power and railway segments in which non-controlling equity holders have a relatively high proportion of interests

During the reporting period, the Group did not place any charges over its assets that were significant.

Elaboration of the Company's progress of development strategies and operation plans

For the Company's progress of development strategies, please refer to the section headed "Chairman's Statement"; and for the progress of operation plans in 2014, please refer to "Summary of Operations" in this section.

Analysis on Core Competitiveness

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

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

   In 2014, the Company continued to strengthen the cooperation among business segments and optimize the linkage among production, transportation and sales processes and consolidated and pushed forward various tasks of cost control. Therefore, the Company effectively resolved the adverse effects brought by the weakening demand and descending coal price, achieving relatively positive operating results despite that substantial losses were recorded in the entire industry.

2. Coal mining rights: The Company possesses an abundant pool of high-quality coal resources, which makes it suitable for the exploitation and operation of large-scale mechanized coal mines. As at the end of 2014, under the coal mining rights possessed and controlled by China Shenhua, it had coal resource reserve of 24,656 million tonnes and recoverable coal reserve of 15,979 million tonnes under the PRC Standard; the Company's marketable coal reserve was 8,420 million tonnes under the JORC Standard.

   In 2014, the Company obtained mining licenses for Guojiawan Mine and Qinglongsi Mine. The Company continued to proceed with its resource acquisition including its Xinjie Taigemiao Mines, and expand its coal reserve by selectively seizing appealing business opportunities, so as to guarantee a sustainable business growth.

3. Management team focusing on coal-based core businesses and cutting-edge operating principles: The management team of China Shenhua has extensive knowledge and management experience in the industry, attaching great importance to enhancing the Company's ability in value creation and focusing on coal-based core businesses to conduct operation and acquisition. The management team also places great emphasis on the clean exploitation, transportation, conversion and utilisation of coal.

   In 2014, the Company's management team adhered to such operating principles, proactively implemented the development strategy of clean energy for China Shenhua and pushed forward the Company's endeavor towards building itself into a world first-class supplier of clean energy, leading the clean development in the industry.

4. Advanced technology and innovation: With consistent efforts in advancing its technology and innovation, China Shenhua's technology in coal exploitation, safe production and clean coal-fired power generation has secured a leading position in the global market, while that of heavy-loaded transportation and equipment has secured a leading position in the domestic market, basically establishing a technology-based innovative management system fused with scientific decision-making, system management, research and development and transformation of achievements. The capacity of innovation has been advancing progressively.

   In 2014, a series of important industrial technologies and scientific research projects including digital mines, critical technology for the protection of groundwater and surface ecology in modern coal mining, "ultra-low emission" of coal-fired power generators and critical technology for heavy-loaded railway have achieved significant progress. During the reporting period, the Company was granted 400 patents, 78 of which were invention patents.

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

   In 2014, China Shenhua formulated a proposal for the commencement of acquisition of 14 retained assets of Shenhua Group and its subsidiaries by 30 June 2019. The acquisition of clean coal-fired generators with an installed capacity of approximately 3,500MW from Shenhua Group has commenced.

Analysis on Investments

1. Analysis on overall external equity investments

The equity investments of the Company in 2014 amounted to RMB9,280 million, representing a decrease of RMB13,437 million or 59.1% from RMB22,717 million of last year. Equity investments in the year mainly included capital increase in railway and port companies such as Baoshen Railway Group, Railway Transportation Company, Huanghua Harbour Administration Company, and subsidiaries engaged in power business.

For information on the principal business of major subsidiaries of the Company and the percentages of equity interest held by the Company, please refer to Note 19. Investments in Subsidiaries to the consolidated financial statements in this report.

2. Asset management on trust and investments in derivatives of non-financial companies

(1) Asset management on trust

As at 31 December 2014, the Company was not involved in any material asset management on trust.

(2) Entrusted loans

Unit: RMB million

Borrower	Balance of entrusted loans at the end of the period	Maturity	Interest rate	Use of loans	Expected income during the remaining period	Gain or loss from investment for the period
Certain subsidiaries (the Group is the controlling shareholder)	48,406	One to five years	Determined with reference to market interest rate	Infrastructure expense, technological renovation, loan replacement and working capital, etc.	3,073	1,270
Inner Mongolia Sanxin Railway Co., Ltd (associated company)	37	One year	6.00%	Working capital	0	2

As at 31 December 2014, the Group did not granted entrusted loans with an amount exceeding 10% of the Group's latest audited net assets to any individual party. The Company did not utilize the proceeds raised to grant entrusted loans, nor was there entrusted loan that was involved in litigations.

Under centralised capital management of the Group, the entrusted loans were provided to subsidiaries which were short of funds to meet operating and development needs. 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 RMB48,406 million and the balance of entrusted loans granted to associated companies amounted to RMB37 million The relevant interest income generated by the foregoing entrusted loans during the reporting period was RMB1,272 million in total. The above entrusted loans were neither secured nor guaranteed.

(3) Investments in derivatives

The subject matter of the exchange rate swap transaction conducted by the Company is the loans denominated in Japanese Yen and the purpose of the said transaction is to hedge the risk exposure of the loans denominated in Japanese Yen, instead of procuring profits. The specific measures adopted are in line with the nature of risk-hedging with risk under control.

As at 31 December 2014, the balance of loans denominated in Japanese Yen with which the Company conducted risk-hedging amounted to RMB154.1 million, which was a proportion of loans denominated in Japanese Yen owed by the Company. During the reporting period, the loss on fair value changes from the above swap contracts amounted to RMB15 million. The swap transactions conducted by the Company were not involved in any litigation.

3. Use of Proceeds

(1) Overall use of proceeds

Unit: RMB million

Year of fund raising	Method of fund raising	Net amount of proceeds	Total amount of proceeds used in the year	Cumulative total amount of proceeds used	Total amount of remaining unused proceeds	Usage and whereabouts of unused proceeds
2007	Initial offering	65,988	0	64,208	1,780	As approved at the 44th meeting of the second session of the board of directors of the Company, approximately RMB4.49 billion of idle proceeds were used to replenish the working capital on a temporary basis for 12 months from 28 April 2014 to 27 April 2015. After deducting the above amount, the balance of the designated account of proceeds was RMB4.82 million.
Total	/	65,988	0	64,208	1,780	/
Explanation for the overall use of proceeds			The Company issued 1.8 billion A Shares at RMB36.99 per share in September 2007. The A Shares were listed on the Shanghai Stock Exchange on 9 October 2007, gathering proceeds amounting to RMB66,582 million. After deducting the issuance costs, the net proceeds raised amounted to RMB65,988 million. Upon the date of receiving the proceeds until 31 December 2014, an accumulated amount of RMB64.208 billion of proceeds had been used by the Company, of which an accumulated amount of RMB48.208 billion was used for investments. As at 31 December 2014, the balance of proceeds was RMB1.780 billion. Together with interest income, the balance of proceeds was RMB4.495 billion. The Company did not use the proceeds from January to December 2014.			

(2) Particulars of the proceeds used in investment projects committed

Unit: RMB million

Name of projects committed	Change of projects	Intended investment amount from proceeds	Amount invested from proceeds for the year	Accumulated actual amount invested from proceeds	In line with planned progress	Progress of investment projects	Return generated during the reporting period	In line with expected return	Explanation for the failure in meeting the planned progress and return	Reason for change and procedures of change of use of proceeds
Halagou Mine project	No	1,693	0	1,693	Yes	100%	715	Yes	N/A	
Bu'ertai mine construction project	No	3,448	0	3,448	Yes	100%	850	Yes	N/A	
Ha'erwusu open-cut mine project	No	5,386	0	5,386	Yes	100%	884	Yes	N/A	
Baoshen Railway TDCS Dispatching Command System	No	20	0	20	Yes	100%	N/A	N/A	N/A	
The second extension line of Baoshen Railway, from Shigetai to Ciyaowan	No	46	0	46	Yes	100%	N/A	N/A	N/A	
The second extension line of Baoshen Railway, from Dongsheng to Shigetai	No	53	0	53	Yes	100%	N/A	N/A	N/A	
Purchase of locomotives	No	168	0	168	Yes	100%	N/A	N/A	N/A	
Yijing substation, treatment of pollution of power generation	No	36	0	36	Yes	100%	N/A	N/A	N/A	

Name of projects committed	Change of projects	Intended investment amount from proceeds	Amount invested from proceeds for the year	Accumulated actual amount invested from proceeds	In line with planned progress	Progress of investment projects	Return generated during the reporting period	In line with expected return	Explanation for the failure in meeting the planned progress and return	Reason for change and procedures of change of use of proceeds
Truck management information system	No	5	0	5	Yes	100%	N/A	N/A	N/A	
Shenshuo Railway infrared detecting encryption works	No	3	0	3	Yes	100%	N/A	N/A	N/A	
Purchase of coal wagon C70	No	1,600	0	1,592	Yes	Completed	N/A	N/A	N/A	
Huanghua Port cargo dumper improvement works	Yes	0	0	0	N/A	N/A	N/A	N/A	N/A	The project was completed by using the self-owned funds of Shenhua Huanghua Harbour Administration Co., Ltd., and the use of relevant proceeds has changed. The change of use was considered and approved at the 2012 annual general meeting of the Company.
Hebei Sanhe power plant phase II	Yes	0	0	0	N/A	N/A	N/A	N/A	N/A	The project was completed by way of debt financing; and the use of corresponding proceeds has changed. The change of use was considered and approved at the 2012 annual general meeting of the Company.
Inner Mongolia Guohua Zhunge'er power plant expansion project	No	354	0	334	Yes	Completed	41	Yes	N/A	
Zhejiang Ninghai power plant phase II	No	1,058	0	919	Yes	Completed	1,364	Yes	N/A	
Shaanxi Jinjie coal and power integration project phase II	No	641	0	641	Yes	100%	1,552	Yes	N/A	
Hebei Huanghua power plant phase II	No	487	0	408	Yes	Completed	746	Yes	N/A	
Hebei Dingzhou power plant phase II	No	455	0	415	Yes	Completed	463	Yes	N/A	
Liaoning Suizhong power plant phase II	Yes	211	0	211	N/A	N/A	992	Yes	N/A	The project has completed by using a part of the proceeds and other source of funds, and the subsequent use of corresponding proceeds has changed. The change of use was considered and approved at the 2012 annual general meeting of the Company.
Chongqing Shenhua Wanzhou power plant	Yes	1,024	0	1,024	Yes	Completed	N/A	N/A	N/A	At the 2012 annual general meeting, the Company resolved to approve the appropriation of RMB1,024 million out of the proceeds of A share issue, which had not been utilized in the investment and renovation of coal, power and transportation systems as scheduled, to the construction of this project.
Supplement working capital of the Company and for general business purpose	No	16,000	0	16,000	Yes	100%	N/A	N/A	N/A	
Acquisition of strategic assets	No	33,300	0	31,806	N/A	N/A	N/A	N/A	N/A	
Total	/	65,988	0	64,208	/	/	/	/	/	/
Explanation for the use of proceeds in investment projects:	The Resolution on the Provisional Use of Proceeds to Replenish the Working Capital was considered and passed at the 44th meeting of the second session of the board of directors of the Company. The Company used the balance (including interest) of the above idle proceeds amounting to approximately RMB4.49 billion in total for temporary replenishment of working capital for 12 months from 28 April 2014 to 27 April 2015 on the condition that the funding requirements of the projects committed and the normal progression of such projects would not be prejudiced.									

Note: "Intended investment amount from proceeds" represents the total investment amount after change.

(3) Particulars of change of use of proceeds in investment projects

Unit: RMB million

Total amount of proceeds involved in the change of investment projects										1,024
Name of the project after change	Corresponding original project committed	Intended investment amount for changed project	Amount invested for the year	Accumulated actual amount invested	In line with planned progress	Expected return of changed project	Return generated during the reporting period	Progress of investment	In line with expected return	Explanation for the failure in meeting the planned progress and return
Chongqing Shenhua Wanzhou power plant	1. Huanghua Port cargo dumper improvement works; 2. Hebei Sanhe power plant phase II; 3. Liaoning Suizhong power plant phase II	1,024	0	1,024	Yes	N/A	N/A	Completed	N/A	N/A
Total	/	1,024	0	1,024	/	/	/	/	/	/
Explanation for the change of use of proceeds in investment projects			At the 2012 annual general meeting, the Company resolved to approve the appropriation of RMB1,024 million out of the proceeds of A share issue, which had not been utilized in the investment and renovation of coal, power and transportation systems as scheduled, to the construction project of Shenhua Wanzhou Power Plant in Chongqing.							

4. Projects not involving proceeds from fund raising

☐ Applicable ✓ Not Applicable

5. Analysis on major subsidiaries and associated companies

(1) Major subsidiaries

No.	Company	As at 31 December 2014			2014
		Registered capital	Total assets	Net assets	Net profit
		RMB million	RMB million	RMB million	RMB million
1	Shenhua Shendong Coal Group Co., Ltd.	4,989	51,222	36,824	9,777
2	Shuohuang Railway Development Co., Ltd.	5,880	34,243	27,401	6,138
3	Shaanxi Guohua Jinjie Energy Co., Ltd.	2,278	9,629	6,572	2,579
4	Shenhua Trading Group Ltd.	1,705	46,194	7,383	2,412
5	Guangdong Guohua Yudean Taishan Power Co., Ltd.	4,670	14,201	8,142	2,279
6	Zhejiang Guohua Zheneng Power Generation Co., Ltd.	3,255	13,019	6,023	1,877
7	Shenhua Zhunge'er Energy Co., Ltd.	7,102	27,845	21,559	1,778
8	Shenhua Railway Transportation Co., Ltd.	2,100	21,754	5,262	1,353
9	Hebei Guohua Cangdong Power Co., Ltd.	1,834	7,618	3,165	1,068
10	Hebei Guohua Dingzhou Power Generation Co., Ltd.	1,561	6,295	2,926	1,008

Note: 1. The financial information of the major subsidiaries and associated companies disclosed in the above table was prepared in accordance with the Accounting Standards for Business Enterprises. "Net profit" refers to profit for the year attributable to the equity holders of the parent company. The data have not been audited or reviewed.

2. Shendong Coal Group Corporation recorded revenue of RMB52,386 million, profit from operations of RMB11,637 million and net profit of RMB9,777 million (2013: RMB20,038 million) in 2014, representing a decrease of 51.2% year-on-year, which was mainly attributable to the decrease in coal prices.

3. Shuohuang Railway Company recorded revenue of RMB15,912 million and profit from operations of RMB8,001 million in 2014.

4. Shenhua Trading Group recorded a net profit of RMB2,412 million (2013: RMB1,163 million) in 2014, representing an increase of 107.4% year-on-year, which was primarily due to the decrease in the cost of coal purchase as a result of falling coal prices.

Details regarding the Company's acquisition of subsidiaries are set out in Note 19. Investments in Subsidiaries to the consolidated financial statements in this report.

(2) Shenhua Finance Company

As of the end of the reporting period, the Company directly and indirectly held 100% equity interest in Shenhua Finance Company.

No.	Name of shareholder	Percentage of equity interest held (%)
1	China Shenhua Energy Company Limited	81.43
2	Shuohuang Railway Development Co., Ltd.	7.14
3	Shenhua Zhunge'er Energy Co., Ltd.	7.14
4	Shenhua Baoshen Railway Co., Ltd.	4.29
	Total	100.00

During the reporting period, Shenhua Finance Company strictly implemented the following resolutions passed at the 12th meeting of the second session of the board of directors of China Shenhua held on 25 March 2011: (1) China Shenhua currently had no intention or plan to change the existing operation policies and strategies of Shenhua Finance Company; (2) the deposits placed by China Shenhua and its subsidiaries and branches with Shenhua Finance Company would be used solely for the credit business of China Shenhua and its subsidiaries and branches, and would be deposited in the People's Bank of China and the five major commercial banks (namely, Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank and Bank of Communications), and would not be invested in the public market/private equity market and real estate, etc.

① Governance of Shenhua Finance Company is as follows:

A. Board of directors

No.	Members of the board at the end of the reporting period	Position
1	Zhang Kehui	Chairman, executive director
2	Han Weiping	Executive director, general manager
3	Mei Xueyan	Executive director, party secretary
4	Che Jianming	Executive director, deputy general manager
5	Hao Jianxin	Non-executive director
6	Feng Ning	Non-executive director
7	Wang Debin	Independent director
8	Zhang Donghui	Employee director

In August 2014, according to the resolutions passed at the shareholder's general meeting of Shenhua Finance Company, Zhang Kehui was elected as a director and the chairman of the company, Han Weiping was elected as director, and Ling Wen ceased to be a director and the chairman. According to the resolution at the board meeting, Han Weiping was appointed as the general manager and legal representative. The qualification approvals for the above changes were obtained from the Beijing Branch of China Banking Regulatory Commission in December 2014, and change of business registration was completed.

Each of the four executive directors has extensive experience in financial and risk management. Dr. Zhang Kehui has years of financial management and auditing experience, she has served as the deputy manager of financial department of Shenhua Group Corporation and head of the auditing department of China Shenhua. Dr. Zhang Kehui also serves concurrently as the chief financial officer of China Shenhua.

Mr. Han Weiping, executive director and general manager, has over 30 years of experience in financial management. He served as the deputy manager of financial department of Shenhua Group Corporation in 1996, and deputy general manager and general manager of Shenhua Real Estate Co Ltd. since 2001. Mr. Han has extensive experience in management.

Ms. Mei Xueyan, executive director and party secretary, 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 investment banks in China 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.

Mr. Wang Debin, the independent director, has served as independent director of Shenhua Finance Company since July 2012. Mr. Wang Debin had worked in Industrial and Commercial Bank of China for over 30 years, and has extensive experience in finance and bank management.

The two non-executive directors, namely Mr. Hao Jianxin and Mr. Feng Ning, and Ms. Zhang Donghui as employee director participated in the decision-making process of the company by attending board meetings.

The board of directors of Shenhua Finance Company Limited operates in accordance with the Articles of Association of Shenhua Finance Company Limited. Any resolution passed at the board meetings of Shenhua Finance Company will only be valid if consent is obtained from two-thirds or more of directors present at the meeting, at which more than one-half of all directors shall be present in person.

In 2014, the board of directors of Shenhua Finance Company held three meetings.

B. Board Committees

The board of directors of Shenhua Finance Company has four board committees, namely the Related Party Transaction Control Committee, Risk Management Committee, Credit Approval Committee and Investment Decision Committee

(a) Related Party Transaction Control Committee

To further improve its administration over related party transactions, Shenhua Finance Company established the Related Party Transaction Control Committee on 15 January 2012. The committee is responsible for administration over the related party transactions of the company, including identification, statistics, forecast, reporting, limit management and recommendations in respect of the related party transactions.

In 2014, the Related Party Control Transaction Committee held one meeting.

(b) Risk Management Committee

To further improve its risk management activities, the original Risk Management Team of Shenhua Finance Company was promoted and became the Risk Management Committee on 15 January 2012. The Risk Management Committee set up by the board of directors of the company reports to the board of directors, and is responsible for assisting it to review the company's risk strategy, risk management policies, risk management procedures and internal control processes, and monitor and assess the risk management endeavors of relevant senior management members and the risk management function. The Risk Management Committee is chaired by the company's independent director Mr. Wang Debin.

In 2014, the Risk Management Committee held two meetings.

(c) Credit Approval Committee

To further improve its credit review and decision-making capabilities, the original Credit Approval Team of Shenhua Finance Company was promoted and became the Credit Approval Committee on 15 January 2012. The Credit Approval Committee operates in accordance with the Rules on Work of the Credit Approval Committee of Shenhua Finance Company Limited. The major duties of the committee are: (1) to review credit issues within its responsibility; and (2) to monitor the implementation of all credit issues by relevant departments upon approval.

In 2014, the Credit Approval Committee held 21 meetings.

(d) Investment Decision Committee

To effectively guard against the risk of investment decision-making and establish a scientific and sound investment decision-making mechanism, Shenhua Finance Company established the Investment Decision Committee on 29 December 2012. The Investment Decision Committee operates in accordance with the "Rules of Procedures on Investment Decisions of Shenhua Finance Company Limited (For Trial Implementation)". The major duties of the committee are: to implement the guidelines and policies of the board of directors, and consider the investment management system proposed by business unit; to consider the company's investment scale, investment plan and strategy and the asset allocation scheme for a given period; to organize the implementation of the company's established stop-loss limits for investment securities, and review the stop-loss limits for specific categories; to review the proposed adjustments to stop-loss and stop-profit limits for specific categories; to determine and adjust the securities pool; to approve each investment with accumulated balance of principal exceeding the limit authorized by the committee; to consider the granting of credit lines relevant to the company's investment activities and other significant matters; to authorize investment business as appropriate; and to consider other issues to be determined.

In 2014, the Investment Decision Committee held one meeting.

② Risk Management and Internal Control

The overall planning and target of risk management for Shenhua Finance Company is to uphold the principles of "system enhancement, procedure optimisation, implementation strengthening and strict supervision" in its work to build up a top-notch risk control system, in order to steer the company to realising its strategic planning and sustainable development.

In 2014, the risk control department monitored the performance indicators on both regular and random basis. No abnormality in operation of capital and non-performing assets of the company has been identified so far. Indicators including capital adequacy ratio, nonperforming loan ratio and current ratio outperformed the regulatory standards. Credits have been granted in compliance with the regulatory requirements of the People's Bank of China. Amount of related party transactions met the requirements of the Financial Services Agreement and the documents of China Shenhua.

③ Deposits and Loans of Shenhua Finance Company during the reporting period

A. Total deposits and loans at the end of the reporting period

Unit: RMB million

	As at 31 December 2014	As at 31 December 2013	Change (%)
Balance of deposits	**39,074**	38,273	2.1
Balance of loans	**33,677**	30,734	9.6
Of which: balance of guaranteed loans	**300**	400	(25.0)

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

(a) Balance of deposits of the top ten customers

Unit: RMB million

No.	Name of customer	As at 31 December 2014
1	China Shenhua Energy Company Limited	**20,068**
2	Shenhua Group Corporation Limited (headquarters)	**6,590**
3	Shenhua Guoneng Group Company Limited	**4,290**
4	Guohua Energy Investment Co., Ltd.	**1,467**
5	Beijing Guohua Power Company Limited	**1,398**
6	Shenhua Ningxia Coal Industry Group Co., Ltd.	**1,048**
7	Shenhua Science and Technology Developing Co., Ltd.	**948**
8	China Shenhua International Construction Company Limited	**756**
9	China Shenhua Coal Liquefaction and Chemical Company Limited	**700**
10	Shenhua Wuhai Energy Co., Ltd.	**384**

Note: Data of all companies were consolidated except those of Shenhua Group Corporation Limited, which were based on the headquarters of the company.

(b) Balance of loans of the top ten customers

Unit: RMB million

No.	Name of customer	As at 31 December 2014
1	Shenhua Ningxia Coal Industry Group Co., Ltd.	**4,500**
2	Shenhua Xinzhun Railway Co., Ltd.	**3,500**
3	State Grid Energy Hami Coal and Electricity Co., Ltd.	**3,100**
4	Shenhua Guoneng Group Company Limited	**2,470**
5	Shenhua Yili Energy Co., Ltd.	**2,407**
6	Shenhua Bayannur Energy Co., Ltd.	**2,382**
7	Shenhua Ganquan Railway Co., Ltd.	**1,904**
8	Shaanxi Shenyan Coal Co., Ltd.	**1,500**
9	Shenhua Guoneng Jiaozuo Power Plant Company Limited	**1,500**
10	Shenhua Materials Group Ltd.	**1,450**

C. Approval of loans during the reporting period

Unit: RMB million

Item	2014
Amount of contracted loans	**20,921**
Amount of granted loans (including discounted assets) Note	**17,823**
Of which: amount of guaranteed loans (including discounted assets) Note	**0**
Amount of rejected loans	**0**

Note: The amount of granted loans refers to the balance as at 31 December 2014 of the loans granted in the current year in connection with the loans contracts signed in 2014.

Special Purpose Vehicle Controlled by the Company

As at the end of the reporting period, the Company controlled China Shenhua Overseas Capital Company Limited (incorporated with limited liability under the law of the British Virgin Islands) in its entirety through Shenhua Hong Kong Limited, a wholly-owned subsidiary of the Company. On 20 January 2015, China Shenhua Overseas Capital Company Limited completed the issuance of senior unsecured US dollar debts, raising net proceeds of approximately USD1,483.77 million. The issuance was provided with unconditional and irrevocable guarantee by Shenhua Hong Kong Limited, and benefit from a Keepwell, Liquidity Support and Equity Interest Purchase Covenant Deed. For details, please refer to relevant H shares announcements of the Company dated 6, 14 and 20 January 2015.

II. Management Discussion and Analysis on Future Development[1]

Competition Landscape and Development Trend in the Industry

1. Macroeconomic Conditions

Review for 2014

Faced with the complex domestic and international economic environment in 2014, the government of China focused on the promotion of reform and innovation, vitalized the market mechanism and stabilized the national economy under the new normal state by adhering to the key note of "making progress while maintaining stability" and implementing a proactive fiscal policy and a prudent monetary policy. In 2014, the gross domestic product (GDP) of China grew by 7.4% year-on-year, representing a decrease of 0.3 percentage point as compared to that of last year. The consumer price index (CPI) recorded a year-on-year increase of 2.0%, representing a decrease of 0.6 percentage point as compared to that of last year.

Prospect for 2015

Looking into 2015, China's economy will continued to face headwinds amid the challenging domestic and international environment, and the intertwining of various conflicts and the downward pressure in the economy will persist due to the sluggish recovery of major foreign economies as well as the impact arising from the overlapping of domestic growth pattern transformation period, structural adjustment period and policy digestion period. By proactively adapting to and leading the economic new normal state, adhering to the key note of "making progress while maintaining stability" and upholding a proactive fiscal policy and a prudent monetary policy, the government of China will focus on the improvement of the quality and efficiency of economic growth, and maintain the performance of the economy within a reasonable range. GDP growth is expected to be around 7% in 2015, with CPI increase maintaining at around 3%. Stability in macroeconomic development will be conducive to maintaining stability in the demand for coal and other types of energy.

1 This section is for reference 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 for 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 are mainly derived from sources such as the National Bureau of Statistics, China Coal Market Network, China Coal Resource Network and China Electricity Council, etc.

2. Market environment of the coal industry

(I) Thermal coal market in China

Review for 2014

In the first 8 months of 2014, China's coal market witnessed an oversupply due to the slower economic growth, the increasing proportion of non-fossil energy in power generation and the relatively high coal production capacity, resulting in falling coal prices and larger losses of coal enterprises.

Due to the implementation of national policies to curb coal supply and the growing coal demand in winter, the oversupply of coal was alleviated since September 2014, and hence thermal coal price rebounded to a stabilized level. As at 31 December 2014, the Bohai Bay Thermal Coal Price (5,500 kcal) was RMB525/tonne, up by RMB47/tonne from the lowest point of RMB478/tonne. During the year, the average price of Bohai Bay Thermal Coal Price Index was RMB522/tonne, representing a year-on-year decrease of 11.4%.

	2014	2013	**Year-on-year change (%)**
Raw coal output (million tonnes)	**3,870**	3,970	(2.5)
Coal transportation by railway (million tonnes)	**2,290**	2,320	(1.3)
Coal import (million tonnes)	**291**	327	(11.0)
Coal export (million tonnes)	**5.74**	7.51	(23.6)

In 2014, the national raw coal output amounted to 3.87 billion tonnes, representing a year-on-year decrease of 2.5%, marking the first year of output reduction since the beginning of this century. In particular, Shanxi recorded an output of 980 million tonnes, representing a year-on-year increase of 1.5%; Inner Mongolia recorded an output of 910 million tonnes, representing a year-on-year decrease of 8.7%; and Shaanxi recorded an output of 510 million tonnes, representing a year-on-year increase of 3.6%.

The adjustment of national policies and the reduction in domestic coal demand resulted in the drop of coal import volume, with a total of 290 million tonnes of coal imported during the year and representing a year-on-year decrease of 10.9%.

The depressed coal demand was mainly attributable to the overall reduction of coal consumption volume in the downstream industries. In 2014, China consumed approximately 3.51 billion tonnes of coal, representing a year-on-year decrease of 2.9%.

The coal inventory nationwide maintained at a high level. As at the end of December 2014, the inventories at major ports in north China (including Qinhuangdao Port, Tianjin Port, Caofeidian Port and Beijing-Tianjin-Tangshan Port), the coal enterprises of China and the major power plants reached 19.49 million tonnes, 87.00 million tonnes and 94.55 million tonnes, respectively, representing an increase of 32.2%, 2.6% and 17.1% from the beginning of the year, respectively.

Due to the dwindling coal demand in coastal areas, the coal transportation volume through railways in China was 2.29 billion tonnes during the year, representing a year-on-year decrease of 1.3%. Coal outbound shipment through major ports in northern areas was 630 million tonnes, representing a year-on-year increase of 2.9%.

Prospect for 2015

Owing to the release of capacity resulting from the earlier investment in coal industry, there will be sufficient coal supply in the market in 2015; however, the growth in coal production is expected to remain stable basically year-on-year with the implementation of policies on regulating production and strengthening coal quality management.

Coal import will stay at a considerable scale due to the price competitiveness of Indonesia and other major coal exporters. It is expected that coal import volume in 2015 will fluctuate within a narrow range under the impact of restoring import coal tax and strengthening quality inspection of imported coal.

In 2015, coal demand will further slacken against the slower growth in the real economy of China, the tightened national control over total energy consumption and the accelerated structural adjustment of national energy consumption. It is expected that oversupply will persist in the coal market and coal price will continue to fluctuate at a low level.

By expediting the implementation of policies including the Action Plan for Energy Development Strategies and striving for the clean and efficient development of coal and power, the government of China will promote the transformation of coal usage, increase the proportion of highly efficient coal power; and accelerated the structural adjustment and transformational development of the coal industry, so as to achieve the safe, green and efficient development as well as clean and low-carbon utilization of coal. The technology in relation to the clean mining, utilization and conversion of coal holds a promising future.

(II) Thermal coal market in the Asia Pacific region

Review for 2014

In 2014, dragged by international economic conditions, coal demand was weak in countries with a tradition of high coal consumption. Supply in the international coal market was excessive, pushing coal prices down. The spot price of Australian BJ thermal coal lowered from US$86.35/tonne at the beginning of 2014 to US$62.95/tonne at the end of the year.

In 2014, Australia exported a total of 387 million tonnes of coal, representing a year-on-year increase of 8%. Indonesia exported 305 million tonnes of coal, representing a year-on-year decrease of 12%. Russia continued to expand its coal export scale to a total of 152 million tonnes, representing a year-on-year increase of 7.6%. The United States exported 89 million tonnes of coal, representing a year-on-year decrease of 17.6%.

The coal import demand growth in the Asia Pacific region was mainly contributed by India. In 2014, India imported 210 million tonnes of thermal coal, representing a year-on-year growth of 19%. Japan and South Korea maintained a stable level of coal import. Japan imported 189 million tonnes of coal, representing a year-on-year decrease of 1.7%; South Korea imported 131 million tonnes of coal, representing a year-on-year increase of 3.4%.

Prospect for 2015

In 2015, the coal supply in the Asia Pacific region will remain excessive. Major suppliers will be Indonesia and Australia. The supply from Russia, Mongolia Republic, the United States and other countries will witness a stable trend.

In 2015, China and India will remain to be major importers of coal. Demand for thermal coal in India will remain at a relatively high level, and import of coal is expected to grow continuously. Coal consumption in countries such as Japan and South Korea is expected to remain steady in general.

It is expected that the global demand for coal will not witness a significant growth in 2015 and the international coal market will continue to be confronted by an excessive supply as impacted by slow global economic recovery and gradual progress of energy restructuring. Prices of thermal coal are expected to remain low and will witness characteristics of seasonal fluctuation.

3. Market environment of the power industry

Review for 2014

In 2014, power supply was generally sufficient to meet the demand in China, and the total power consumption witnessed a growth from high to low as power consumption steadily increased in the first half of the year while dropped significantly in the second half due to slower macroeconomic growth. The total power consumption in 2014 was 5,523.3 billion kwh, representing a year-on-year growth of 3.8% which was 3.7 percentage points slower year-on-year. The power consumption of the primary industry remained stable while decreasing slightly by 0.2% year-on-year; the power consumption of the secondary industry saw a year-on-year growth of 3.7%; and the power consumption of the tertiary industry and urban and rural residents saw a year-on-year growth of 6.4% and 2.2% respectively, both registering a marked slowdown.

The utilization hours of thermal power equipment dropped by 314 hours year-on-year to 4,706 hours during the year, due to the slower growth in power demand, the increase in hydropower output and the increase in installed capacity of thermal power generators.

As at the end of 2014, the nationwide capacity of power generation equipment of power plants with capacity of 6,000 kw and above reached 1.36 billion kw, representing a year-on-year growth of 8.7%, of which the installed capacity of thermal power was 916 million kw, representing a year-on-year growth of 12.5%, which was 0.2 percentage point faster year-on-year, and the installed capacity of hydropower was 302 million kw, representing a year-on-year growth of 7.9%, which was 4.4 percentage points slower year-on-year. The installed capacity of wind power and nuclear power increased by 25.6% and 36.1% year-on-year respectively, both significantly higher than the national growth in total installed capacity.

In 2014, the implementation of Emission Standard of Air Pollutants for Coal-fired Power Plants facilitated the energy saving and environmental protection renovation of the thermal power industry, promoted the development and utilization of "ultra-low emission" technology of coal-fired generators, and effectively reduced the emission of main air pollutants, speeding up the progress in the clean development of the industry.

Prospect for 2015

The steady growth of China's macroeconomy will be conducive to stabilizing the power demand in 2015, but the growth in power consumption is expected to slow down during the year due to the impact of declining economic growth and the control over total energy consumption.

The power supply is expected to remain sufficient in 2015 due to the steady growth in national installed capacity. In 2014, the investment in the thermal power amounted to RMB95.2 billion, representing a year-on-year increase of 2.6%. The investment in hydropower and wind power amounted to RMB96 billion and RMB99.3 billion respectively, both of which were higher than the thermal energy investment. The substitution effect of power generation using non-fossil energy further emerged. It is expected the utilization hours of thermal power generators in 2015 will reach the level in 2014.

According to the twelfth five-year plan on energy, the proportion of the installed capacity of non-fossil energy will increase from 26.7% in 2010 to 33% in 2015. It is expected that hydropower, nuclear power and wind power will continue to develop rapidly in 2015.

It is expected that the domestic supply of and demand for power in 2015 will continue to be stable in general, with a slight oversupply. The structure of power usage will remain in line with that in the previous year.

Development Strategy of the Company

I. China Shenhua's main opportunities for future development:

As a major energy source and an important industrial material, coal will in the medium- and long-term remain as one of the primary energy sources in China. Therefore coal will continue to play a key role in securing a safe and stable supply of energy in China.

Energy supply and consumption reform will bring about new impetus for the promotion of safe, green and efficient development as well as clean and low-carbon utilization of coal, enabling promising prospects for technology in relation to the clean mining, utilization and conversion of coal. Facilitated by government guidance and technological advances, clean energy and its relevant technologies will become new investment hot spots and new areas of profit growth.

Technological improvement supports the development of the industry. Despite the shrinking market share of coal-fired power generation due to the adjustment of energy structure, coal-fired power generation still secures a leading position. The application of clean and efficient coal-fired power generation technology provides significant support to the development of the industry.

Corporate reform and development will face new opportunities. The merger and acquisition among coal and power enterprises eliminates obsolete capacity, promotes group-wide development to achieve economy of scale; and the construction of national transportation channels and regional railways will bring new opportunities for acquisition and investment.

II. China Shenhua's future main challenges:

In 2015, the new normal state of the coal industry will become further defined. The development mode purely relying on the expansion of output and capacity is gradually dying out along with the conventional market competition model.

The accelerated structural adjustment of national energy consumption will further slacken the growth in the demand for coal. Due to the growth in coal production capacity and the relatively high volume of imported coal, the oversupply in the coal market will remain and the pressure for falling coal prices will linger.

The power business has encountered more difficulties in accelerating development. The government accelerates the adjustment of the power structure, and imposes a strict limit on the newly-installed capacity of coal-fired power. Factors such as the reform of the mechanisms for the power industry will also bring unforeseen effects.

With regard to the tightening regulation on energy and the environment, the potential risks in terms of environmental and ecological protection will gradually increase. The entry requirements for coal exploitation and coal-fired power development and standards for energy saving, environmental protection and production safety, etc. are tightening, thus the approval of projects will become more difficult. Restraints on water resources and significant investment in infrastructure are the key factors that hinder the development of the coal chemical business.

III. Development Strategy of China Shenhua

China Shenhua will step up the implementation of its "1245" clean energy development strategy. Focusing on the goal of "building itself into a world first-class supplier of clean energy", China Shenhua will accelerate the change in the concept and mode of development and facilitate the four developments, namely "safe development, transitional development, innovative development and harmonious development", and achieve the five enhancements, namely "enhancing the quality and efficiency of development, the standards of management, the capability of internationalization, the soft power of the enterprise and the ability to fulfill social responsibilities." By strengthening the integrated operation of coal production, transportation and marketing, improving clean and efficient conversion and utilization of coal and the industrial chain of new energies, and refining the technological system of clean combustion and efficient conversion of coal, China Shenhua will gradually explore its development potential, improve its comprehensive competitiveness, profitability and risk resilience, and dutifully assume its social responsibility, building China Shenhua into a reputable international company and creating greater value for its shareholders.

Based on the above development strategies, China Shenhua will proactively carry out the following endeavors in the future:

China Shenhua will further strengthen and improve its coal and power segments. While ensuring the sustainable development of major mines by reasonably planning the continuity of production capacity, the Company will also strengthen its efforts in exploring overseas resources, and further enhance the control, influence and driving force of its coal business. By implementing its mega-sales strategy, the Company will optimize product structure, improve product quality and increase the market share of coal. The Company will continuously strengthen the profitability of the power segment, further increasing the market share of its power business and strengthen its support to the coal business.

China Shenhua will give full play to the unique strengths of the transportation segment. The Company will optimize the railway transportation network and explore new mode of external cooperation with a view to increasing the throughput capacity of its ports. The Company will also steadily develop the shipping business, further increasing the contribution of the transportation segment to business results.

China Shenhua will enhance the capability of providing clean energy. The Company will continue to improve the clean production and transportation of coal, continuously build the brand of Shenhua Clean Coal as well as the clean conversion coal-based energy, and accelerate the development of quality, clean and green power generation business by drawing on the coal-fired power generation technology of "ultra-low emission". It will rationally plan the industrial layout of coal chemical under conditions that are technologically mature, environmentally appropriate and economically practicable, and explore the development of new energies including shale gas.

China Shenhua will expedite innovation to support its further development. To accelerate the renovation of traditional industry through information technology, the Company will significantly increase the efficiency of production, transportation and organization by building up a digital Shenhua. It will improve the R&D and marketing of the new technologies in relation to the business segments of the Company, expand technology and talent reserve, and create a chain of technology services, ensuring the future development of the Company.

Business Targets for 2015

Item	Unit	Target of 2015	Accomplishment in 2014	Percentage change of the target of 2015 to the accomplishment in 2014 (%)
Commercial coal production	million tonnes	273.60	306.60	(10.8)
Coal sales	million tonnes	404.25	451.10	(10.4)
Power output dispatch	billion kwh	212.70	199.44	6.6
Revenue	RMB100 million	2,100	2,483.60	(15.4)
Cost of sales	RMB100 million	1,563	1,748.43	(10.6)
Total of selling, general and administrative expenses and net finance costs	RMB100 million	150	127.49	17.7

Note: The above business targets are subject to risks, uncertainties and assumptions. The actual outcome may differ materially from these statements. Such statements do not constitute actual commitments to investors. Investors should be aware that undue reliance on or use of such information may lead to investment risks. Investors are also advised to take the following factors into full consideration when making investment decisions by reference to the business targets for 2015: (1) the expected general trend of oversupply in the domestic and overseas coal markets in 2015; (2) policy requirements in areas including resource tax reform, regulation on production capacity and control on coal quality in coal industry of China; (3) the possibility that the Company may make upward adjustments to business targets including those for commercial coal production and coal sales and corresponding adjustments to financial indicators including revenue and costs based on the newly approved production capacity and market demand.

Warning and explanation for a possible loss or a year-on-year change of over 50% in the estimated current first quarterly net profit for 2015

☐ Applicable ✓ Not Applicable

Capital expenditures plans for 2015

	Accomplishment in 2014	Plans for 2015	Percentage change of plans for 2015 to accomplishment in 2014	Percentage of each business plan to overall plans for 2015
	RMB100 million	RMB100 million	%	%
Coal segment	86.6	48.3	(44.2)	13.1
Power segment	175.4	147.7	(15.8)	40.0
Transportation segment	175.0	154.5	(11.7)	41.9
Of which: Railway	148.7	125.7	(15.5)	34.1
Port	15.3	18.9	23.5	5.1
Shipping	11.0	9.9	(10.0)	2.7
Coal chemical business	7.9	11.8	49.4	3.2
Others	3.4	6.7	97.1	1.8
Total	448.3	369.0	(17.7)	100.0

Total capital expenditures of 2014 amounted to RMB44.83 billion, which were mainly used for the construction of Zhunchi Railway, Huangda Railway, Chongqing Shenhua Wanzhou Power Plant Project, Shenwan Energy Company Anqing Phase II Power Plant Project, Guohua Shouguang Power Plant Project and acquisition of mining equipment, etc.

Total planned capital expenditures of 2015 amounted to RMB36.90 billion, which would be mainly used for the construction of Huangda Railway, acquisition of locomotives, wagons and equipment, Guohua Shouguang Power Plant Project and Chongqing Wanzhou Power Plant Project, etc.

In 2014, the Company issued three tranches of super short-term financing debentures (with proceeds of RMB20 billion) and two tranches medium-term notes (with proceeds of RMB20 billion). The Company has not exercised the mandate on equity financing. The current plans of the Company regarding capital expenditures in 2015 are subject to development of business plans (including potential acquisitions), progress of investment projects, market conditions, outlook for future operation conditions and the 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 its capital expenditures by cash generated from operating activities, short-term and long-term borrowings, part of the proceeds from the initial public offering of A shares and other debt and equity financing.

Risks

Investors should be aware that although the Company has reviewed and listed major risks, and adopted relevant countermeasures, there is no absolute guarantee that all adverse impact could be eliminated as limited by various external factors.

(I) Risk of macroeconomic fluctuations

The industry in which the Company operates is closely correlated to the prosperity of the national economy. In 2015, the national economy will enter a new normal state where the rate of growth is expected to shift from high to medium to high. Uncertainties will still remain amid the steady pace of the macro economy, manifested by various factors including changes in consumption pattern and competitive edge in export, severe overcapacity in traditional industries, and environmental capacity reaching or about to reach its limit. Such uncertainties may materially affect the Company's results.

To cope with the risk of macroeconomic fluctuations, the Company will further strengthen the studies on relevant industrial trends, optimize business structure and press ahead with scientific management in line with the laws of economics to continuously upgrade the quality of development.

(II) Risk of market competition

In the coal market, the uncertainties will become more complicated due to coal oversupply and structural surplus, mainly attributable to relatively significant investment in the newly-added production capacities and coal import, national policies to mitigate overcapacity and control total coal consumption, and structural decrease in and environmental restriction on coal consumption. In the power market, competition in the thermal power market will somewhat intensify, mainly attributable to the slowdown in economic growth, continuous trend of industrial growth slowdown, weak growth in power usage nationally as well as rapid development in hydro and nuclear power. In the coal chemical market, growth of the market will be reduced significantly due to the lowering oil prices internationally. Such factors in market competition may have adverse impacts on the Company, such as lower sales prices of coal and coal chemical products and lower power generation than expected, and therefore may affect the Company's business results.

Responding to the risks in market competition, the Company will enhance surveys and studies on markets to increase the accuracy of market forecast. To optimize the mix of sales, transportation capacity will be scheduled in a centralized manner, sales strategy will be flexibly adjusted; the Company will strive to maintain a sound relationship with clients; risk-hedging futures business will be developed to tap into new markets; the Company will also step up grid coordination to strengthen management for power generators, so as to refine efforts in power planning and target completion. Under a sound work plan against market risks, efforts will be stepped up for the prompt alert of market anomalies to enhance resilience against market risks.

(III) Risk of changes in industry policies

The Company's business activities are subject to the industrial regulatory policies in China. For the coal industry, there are major guidelines put forward by the PRC government such as "increasing the consumption proportion of non-fossil energy to 11.4% by 2015"; "total consumption of primary energy to be controlled at approximately 4.8 billion tonnes of standard coal, and total consumption of coal to be controlled at approximately 4.2 billion tonnes by 2020", "increasing the proportion of non-fossil energy consumption in primary energy consumption to 15%, and proportion of coal consumption to be controlled at not more than 62% by 2020." The coal resource tax has undergone the reform of price-based tax calculation and collection throughout China since 1 December 2014. The above policies may cause increases in production, environmental and tax costs, and may have an objective impact on the approval of the Company's new expansion projects.

To cope with the risk of changes in industry policies, the Company will strengthen its research on the latest industry policies and regulations in the PRC, while pushing forward communications with the competent authorities and local governments as well as the organization and coordination of project authorization work. Meanwhile, the Company will promote industrial upgrading and structural adjustment through a rational investment portfolio across the business segments and increasing expenditure on environmental protection, enhance tax management and push forward tax-related risk control to continuously enhance its capacity to cope with complicated tax policies.

(IV) Risk of rising costs

As the mining process proceeds further and production conditions become increasingly complicated, the Company's unit mining cost may increase gradually. Furthermore, a number of factors, including the long-term price increase of productive resources, increase in resource and environmental constraints and changes in fiscal and taxation policies, may lead to an increase in the Company's costs, which may have a significant impact on the Company's business.

To cope with the risk of increasing costs, the Company will strengthen the strategic cost control, establish value-creation concept, and formulate investment plans in an earnest manner; optimise the cost accountability system to form a cost control pattern with the participation of the entire staff and closed-loop management; build up and refine standards for cost-setting to foster a refined cost management; further push forward the task of cost benchmarking to strengthen the rating system for corporate financial capability; and strengthen its taxation planning based on serious studies on national fiscal and taxation policies.

(V) Risk of environmental protection

The increasingly stringent national environmental regulations, standards and policies are posing more environmental pressures on the Company's coal, power, transportation and coal chemical segments. The PRC government revised the Environmental Protection Law in 2014, in which further controlling requirements on environment protection were further put forward. 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 lability that may have material adverse effect on the Company's financial position.

To cope with the risk of environmental protection, the Company will strengthen the prevention, management, oversight and inspection of environmental risks, commence the "Ten Thousand Enterprises" energy-saving action and the "Twelfth Five-year Plan" total emission reduction action, continuously implement the "2013-2017 Plan on Air Pollution Prevention and Control", publish and implement the "Plan on Water Pollution Prevention and Control" and carry out the projects of "ultra-low emission" coal-fueled power plants and efficiency enhancement and capacity expansion; implement the "Joint Action Plan for Energy-saving and Environmental Protection for 2015", promote key energy saving and environmental protection projects, strengthen the identification and settlement of hidden problems and the control over environmental risks, in order to meet the energy conservation and emission reduction targets and prevent major environmental pollution accidents.

(VI) Risk of production safety for coal mines

The Company has established the safety production target of "preventing serious work-related accidents, seeking zero fatality rate and aiming at zero injury rate". Although the Company has been sustaining stable performance in safe production for its coal mines, there are uncertainties in the course of safe production and any major safety accident would have a material impact on the Company.

To cope with the risk of production safety for coal mines, the Company will enhance its safety risk prevention and control system for coal mines, innovate security surveillance methods to enhance the effectiveness of safety supervision and further promote standardized operation procedure. At the same time, the Company will strengthen security risk pre-control, implement rectification accountability, and enhance safety management of infrastructure projects, safety education and training, building of district teams, occupational health management and emergency management.

(VII) Risk of integrated operations

The Company's advantages in integrated coal mines, power, transportation and coal chemical operations come along with considerable operating risks. In case of poor organization or coordination or a discontinuation of any link in integrated operations, the balance and high efficiency of integrated organization and operations will be affected and the impact may be amplified, which may in turn adversely affect the Company's business results.

To cope with the risk of integrated operations, the Company will take an array of measures, based on production safety, including scientific scheduling and plan management, to expand market share of coal and maintain a stable and orderly market. To enable transport sector meeting the market demand, the Company will optimize scheduling organization and improve railway collection and distribution system. As for the power segment, the Company will strengthen the coordination of power grid and actively operate Shenhua Coal. The coal liquefaction and chemical sector will strengthen the operation management of production equipment to ensure long-term operation of such equipment, with an aim at balanced production and uninterrupted integrated operations to maximize its competitiveness.

(VIII) Risk of international operations

The world economy is still undergoing in-depth adjustments after the global financial crisis and it is hard to see a significant improvement in the overall weak trend of recovery. Due to the complex economic, social and political conditions in the globe and the fluctuations in exchange rates, the risk of investments in different countries varies significantly. Given the highly competitive energy market worldwide, the uncertainties in the Company's international operations may have an impact on its business.

To cope with the risk of international operations, the Company will actively integrate itself into the national Initiative of " One Belt, One Road", and conscientiously carry out overseas resource evaluation and project assessment based on sound information analysis prior to making any decision on overseas project investment so as to ensure economic feasibility. Furthermore, the Company will strengthen the cultivation and introduction of interdisciplinary talents to lay a solid cornerstone for its "Going Overseas" strategy.

(IX) Risk of natural disasters

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 losses to the Company's operations.

To cope with the risk of natural disasters, the Company will further strengthen the early warning of major natural disasters, develop emergency response plans, allocate necessary resources and diligently carry out relevant emergency drills, in order to minimize the impact of natural disasters.

With centralized management of commercial property insurance, the Company reviews and assesses risk exposure and risk portfolio on an ongoing basis, and makes necessary and appropriate adjustments to its insurance policy and coverage in accordance with its needs and practices of the insurance industry in China in a move to prevent various risks and losses.

III. Profit Distribution Plan

Formulation, implementation or adjustment of cash dividend policy

In accordance with the requirements of relevant laws and regulations and the Articles of Association, the profit distribution of the Company shall focus on reasonable investment returns for investors and on the maintenance of sustainability and stability of the profit distribution policy. Pursuant to the Articles of Association, the profit distribution of the Company shall be made based on the profit for the year attributable to equity holders of the Company in the consolidated financial statements prepared under the Accounting Standards for Business Enterprises or the International Financial Reporting Standards, whichever is lower. Annual profit distribution in cash shall be no less than 35% of the profit for the year attributable to equity holders of the Company subject to relevant conditions.

Profit distribution scheme or plan of the Company in the past three years (including the reporting period)

Unit: RMB million

Dividend year	Dividend per 10 shares (RMB) (inclusive of tax)	Amount of cash dividend (inclusive of tax)	Profit for the year attributable to equity holders of the Company in the consolidated financial statements of the respective dividend year (Not restated)	Percentage to the profit for the year attributable to equity holders of the Company in the consolidated financial statements (%)
2014 (Plan)	7.4	14,718	36,807	40.0
2013	9.10	18,100	45,678	39.6
2012	9.60	19,094	47,661	40.1

Note: The above financial data are prepared under the Accounting Standards for Business Enterprises. The aggregate amount of cash dividend in the year of 2013 (inclusive of tax) represented 40.2% of the profit for the year attributable to equity holders of the Company under the International Financial Reporting Standards.

1. **Profit distribution plan for the year 2014**

Net profit for the year attributable to equity holders of the Company for 2014 under the Accounting Standards for Business Enterprises amounted to RMB36,807 million, with basic earnings per share of RMB1.851/share; profit for the year attributable to equity holders of the Company under the International Financial Reporting Standards amounted to RMB38,689 million, with basic earnings per share of RMB1.945/share. As at 31 December 2014, the retained earnings available for distribution to equity holders of the Company amounted to RMB103,614 million. The board of directors recommends the payment of a final dividend for 2014 of RMB0.74 per share (inclusive of tax) in cash, totalling approximately RMB14,718 million (inclusive of tax), which represents 40.0% of the profit for the year attributable to equity holders of the Company under the Accounting Standards for Business Enterprises and 38.0% of the profit for the year attributable to equity holders of the Company under the International Financial Reporting Standards.

The above plan is in compliance with the requirement of the Articles of Association and endorsed by the independent directors and approved by the board of directors of the Company. When putting forward the final dividend plan for 2014, the board of directors has fully listened to and considered the opinions and concerns of the shareholders of the Company, in particular the minority shareholders. The Company will hold the 2014 annual general meeting on Friday, 29 May 2015 to consider and approve the relevant resolutions, including the above final dividend plan for the year 2014 as proposed by the board of directors.

2. Dividends distributed by the Company is denominated and announced in RMB. Dividends to holders of domestic shares, including holders of the Company's A shares through the Northbound Trading Link of the Shanghai-Hong Kong Stock Connect (hereinafter referred to as the "Northbound Shareholders") and holders of the Company's H shares through the Southbound Trading Link (hereinafter referred to as the "Southbound Shareholders") are paid in RMB. Dividends to holders of foreign shares, except the Southbound Shareholders, 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 Wednesday, 29 April 2015, the shareholders of A shares of the Company (including the Northbound Shareholders) and the proxies of shareholders as registered in the China Securities Depository and Clearing Corporation Limited Shanghai Branch are entitled to attend and vote at the 2014 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 (including the Northbound Shareholders) for the year 2014 after the annual general meeting of 2014 to determine the record date and ex-rights date for final dividend distribution to holders of A shares for the year 2014.

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 Wednesday, 29 April 2015 to Friday, 29 May 2015 (both days inclusive) to determine the identity of the shareholders of H shares who are entitled to attend and vote at the 2014 annual general meeting. In order to be eligible for attending and voting at the 2014 annual general meeting, shareholders of H shares shall lodge the share certificates and the instruments of transfer with Computershare Hong Kong Investor Services Limited, the Company's share registrar for H shares no later than 4:30 pm on Tuesday, 28 April 2015 to effect the transfer of shares.

(2) The register of members will be closed from Monday, 8 June 2015 to Friday, 12 June 2015 (both days inclusive) to determine the identity of the shareholders of H shares who are entitled to the proposed final dividend for the year 2014. In order to be eligible for receiving the 2014 final dividend, shareholders of H shares shall lodge the share certificates and the instruments of transfer with Computershare Hong Kong Investor Services Limited, the Company's share registrar for H shares no later than 4:30 pm on Friday, 5 June 2015 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 for the year to them. Any H shares of the Company not registered under the name of an individual shareholder, including under the name of HKSCC Nominees Limited, other nominees, trustees, or other organizations or groups, shall be deemed as shares held by non-resident enterprise shareholders. Therefore, on this basis, enterprise income tax shall be withheld from dividends payable to such shareholders. After receiving dividends, non-resident enterprise shareholders may apply, personally or by proxy, to the competent taxation authorities to enjoy the treatment under taxation agreements (arrangement), and provide materials proving their eligibility to be the actual beneficiaries under the taxation agreements (arrangement) for tax refund.

Investors are advised to read the above content carefully. Should there be any changes to their status as shareholders, they should consult their agent or custodian organisation for the relevant procedures. The Company shall withhold and pay enterprise income tax for the non-resident enterprise shareholders whose name would appear on the register of members for H shares of the Company on 12 June 2015.

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

Should the individual shareholders of the H shares be residents of countries which have an agreed tax rate of less than 10% with China, the Company shall apply for the relevant agreed preferential tax treatment on behalf of them in accordance with the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No.124). Should the individual shareholders of the H shares be residents of countries which have an agreed tax rate of over 10% but less than 20% with China, the Company shall withhold the individual income tax at the agreed actual rate. In case the individual shareholders of the H shares are residents of countries which have not entered into any tax agreement with China, or the agreed tax rate with China is 20% or otherwise, the Company shall withhold 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 12 June 2015 as the criterion in determining the residence of the individual shareholders of H shares, and withhold and pay individual income tax accordingly. Should the residence of the individual shareholders of H shares be inconsistent with the registered address, they should notify the Company's share registrar for H shares at or before 4:30 pm on 5 June 2015 with relevant evidence at Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. For individual shareholders of H shares who failed to provide relevant evidence to the Company's share registrar for H shares before the above deadline, the Company shall determine their residence according to the registered address as recorded in the register of members on 12 June 2015.

7. With respect to the Southbound Shareholders, according to the relevant requirements of China Securities Depository and Clearing Corporation Limited, China Securities Depository and Clearing Corporation Limited Shanghai Branch, as the nominee of the Southbound Shareholders, shall receive cash dividends distributed by the Company and distribute such cash dividends to the relevant Southbound Shareholders through its depository and clearing system.

According to the relevant provisions under the "Notice on Tax Policies for Shanghai-Hong Kong Stock Connect Pilot Programme (Cai Shui [2014] No. 81)", the Company shall withhold individual income tax at the rate of 20% with respect to dividends received by Mainland individual investors for investing in H-shares listed in Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. For Mainland securities investment funds investing in shares listed on Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the above rules also apply and individual income tax shall be levied on dividends derived therefrom. The Company is not required to withhold income tax on dividends derived by Mainland enterprise investors, and such enterprises shall report the income and make tax payment by themselves. The record date and relevant arrangements of dividend distribution for Southbound Investors are same with that of the Company's shareholders of H shares.

8. 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.

IV. Explanation on the Selection of Significant Accounting Policies and Significant Accounting Estimates

During the reporting period, the Company made no significant change in significant accounting policies and significant accounting estimate. Please refer to Note 3. Significant Accounting Policies to the consolidated financial statements in this report.

V. Corporate Social Responsibilities

Corporate social responsibilities

For details of the Company's CSR endeavors, please refer to the Company's 2014 CSR report which is disclosed in conjunction with this report.

Environmental issues of listed companies and their subsidiaries in heavy polluting industries as stipulated by the competent environmental protection authorities of the PRC

During the reporting period, the Group did not have any material environmental pollution accidents. For details of the Company's CSR endeavors in relation to environmental protection, please refer to the Company's 2014 CSR report which is disclosed in conjunction with this report.

Section VI Significant Events

Material Litigation, Arbitration and Major Events Generally Questioned by the Media

☐Applicable ✓Not Applicable

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 2014, 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 impact on the financial position of the Group.

During the reporting period, the Group was not involved in any major events generally reported by the media.

Appropriation of funds and the Progress of Arrears Clearing during the Reporting Period

☐Applicable ✓Not Applicable

Assets Transactions and Corporate Mergers

☐Applicable ✓Not Applicable

The Equity Incentive Plan and its Impacts

☐Applicable ✓Not Applicable

Donations

During the reporting period, the donations from the Group amounted to approximately RMB57 million.

Material Connected Transactions

✓Applicable ☐Not Applicable

Summary of the management of connected transactions

Pursuant to the requirements under the Guidelines of Shanghai Stock Exchange on Connected Transactions of Listed Companies, the Audit Committee of the Board of the Company shall perform the duties of control and daily management of connected transactions of the Company. The Company has a connected transaction team under the direct supervision of the Chief Financial Officer, which is responsible for the management of connected transactions; and has established a business process, which properly delineates the responsibilities of the Company, its subsidiaries and branches in the management of connected transactions. The team has also established routine examinations, reporting systems and accountability systems in the subsidiaries and branches of the Company.

Material Connected Transactions

1. Non-exempt connected transactions

During the reporting period, the Company did not enter into any one-off connected transactions regarding any acquisition or disposal of assets.

2. Connected transactions related to daily business operations

During the Reporting Period, the non-exempt continuing connected transaction agreements implemented between the Company and connected parties are as follows:

(1) Non-exempt continuing connected transactions between the Company and Shenhua Group

In order to ensure a reliable, quality-assured provision of materials and services for the Company, lower operation risks and costs, and allow Shenhua Finance Company, in which the Company has an absolute controlling shareholding, to provide financial services to the companies under the Group and Shenhua Group Corporation so that it can fully leverage on its functions as an internal financing platform and capital management platform, further contain risks and increase income. The Company entered into the following continuing connected transaction agreements with Shenhua Group Corporation:

A. Mutual Coal Supply Agreement

The Company entered into the Mutual Coal Supply Agreement with Shenhua Group Corporation on 22 March 2013. The Mutual Coal Supply Agreement would be effective from 1 January 2014 to 31 December 2016. Pursuant to the Mutual Coal Supply Agreement, the Group and Shenhua Group mutually sold and supplied various types of coal. The price of the coal supplied under the Mutual Coal Supply Agreement was determined by the Group and Shenhua Group Corporation through fair negotiation with reference to the market price, which mainly adopts the Bohai -Rim Steam-Coal Price Index, a well-recognised price index in China's coal market. In accordance with the provisions of the Mutual Coal Supply Agreement, priority will be given to the other party when one party purchases coal unless the terms of sales provided by a third party are more favorable.

B. Mutual Supply of Products and Services Agreement

On 22 March 2013, the Company entered into the Mutual Supply of Products and Services Agreement with Shenhua Group Corporation. The Mutual Supply of Products and Services Agreement would be effective from 1 January 2014 to 31 December 2016. In accordance with the Mutual Supply of Products and Services Agreement, in addition to providing administrative and management services, Shenhua Group also offered production materials and ancillary services to the Group with a pricing policy as follows:

(a) State-prescribed price (if applicable); (b) if there is no state-prescribed price but there is a state-guidance price, the state-guidance price should apply; (c) if there is neither a state-prescribed price nor a state-guidance price, the price should be determined by the Group and Shenhua Group through fair negotiation with reference to the market price (including bidding price); (d) if there is no market price but one party also supplies the same product or service to an independent third party, the transaction price between that party and the independent third party should apply; or (e) if none of the above is applicable or if it is not practical to apply the above pricing principles to the actual transactions, the price should be the contractual price, namely the reasonable costs required to supply the product or service plus 5% of such costs as profit.

C. Financial Services Agreement

On 22 March 2013, the Company entered into the Financial Services Agreement with Shenhua Group Corporation. The Financial Services Agreement would be effective from 1 January 2014 to 31 December 2016. In accordance with the Financial Services Agreement, the Company provided related financial services to Shenhua Group through Shenhua Finance Company.

The pricing policy of the Financial Services Agreement is as follows:

a. Deposits and loans: The interest rate for deposits placed by Shenhua Group Corporation and its subsidiaries and associates 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 confirmed by normal commercial banks for offering the same type of deposits to Shenhua Group Corporation and its subsidiaries and associates and shall be determined on normal commercial terms. The interest rate for loans offered by Shenhua Finance Company to Shenhua Group Corporation and its subsidiaries and associates shall not be higher than the highest rate allowed by the PBOC for the same type of loans; in addition to the above, the interest rate shall be determined by reference to the rate confirmed by normal commercial banks for offering the same type of loans to Shenhua Group Corporation and its subsidiaries and associates and shall be determined on normal commercial terms;

b. Paid services: Shenhua Finance Company may offer paid consultancy services, agency services, settlement services, account transfer services, investment services, finance leasing services, letter of credit services, online banking services, entrusted loans services and other related services to Shenhua Group Corporation and its subsidiaries and associates. The fees receivable by Shenhua Finance Company for offering consultancy services, agency services, settlement services, account transfer services, investment services, finance leasing services, letter of credit services, online banking services, entrusted loans services and other related services to Shenhua Group Corporation and its subsidiaries shall comply with the relevant requirements on fess standards (if any) stipulated by the PBOC or the CBRC; in addition to the above, the fees receivable by the Shenhua Finance Company for offering financial services to Shenhua Group Corporation and its subsidiaries and associates shall be determined by reference to the fees receivable by normal commercial banks for offering the same type of financial services to Shenhua Group Corporation and its subsidiaries and associates and shall be determined on normal commercial terms.

(2) Non-exempt continuing connected transactions between the Company and other parties

D. Transportation Service Framework Agreement between the Company and Taiyuan Railway Bureau

Taiyuan Railway Bureau is the parent company of Daqin Railway Co., Ltd., which is a substantial shareholder and holds more than 10% equity interest in Shuohuang Railway, a subsidiary of the Company, and thus Taiyuan Railway Bureau is a connected person of the Company under the Hong Kong Listing Rules. Therefore, the Transportation Service Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

In order to secure coal transportation service for the Group, the Company entered into the Transportation Service Framework Agreement with Taiyuan Railway Bureau on 22 March 2013. The Transportation Service Framework Agreement would be effective from 1 January 2014 to 31 December 2016. As Taiyuan Railway Bureau is a railway bureau under the PRC's Ministry of Railways, its transportation rates is subject to stringent control and regulation by the state. Pursuant to the Transportation Service Framework Agreement, the transportation fee payable by the Group was determined in accordance with the following pricing policy: (a) state-prescribed price; (b) where there is no state-prescribed price but there is a state-guidance price, the state-guidance price is used; and (c) where there is neither a state-prescribed price nor a state-guidance price, the price is determined by fair negotiation between Taiyuan Railway Bureau and the Group with reference to the transportation fee received by Taiyuan Railway Bureau for offering transportation services to a third party.

The agreements A to C above are daily connected transactions under the Shanghai Listing Rules, while The agreements A to D above are continuing connected transactions under the Hong Kong Listing Rules.

(3) Implementation of and review opinion on the non-exempt continuing connected transactions

During the reporting period, the implementation of the agreements A to D above is set out in the table below. The total amount of connected transactions for sale of products and provision of services by the Group to Shenhua Group during the reporting period amounted to RMB13,693 million, which accounted for 5.5% of the revenue of the Group during the reporting period.

No.	Execution basis	Provision of products and services by the Group to Connected Persons and other inflows			Purchase of products and services from Connected Persons by the Group and other outflows		
		Prevailing transaction cap [Note]	Transaction amount during the reporting period	Percentage of amount of similar transactions	Prevailing transaction cap	Transaction amount during the reporting period	Percentage of amount of similar transactions
		RMB million	RMB million	%	RMB million	RMB million	%
A	Mutual Coal Supply Agreement between the Company and Shenhua Group	25,500	5,633	4.2	24,400	6,517	8.8
B	Mutual Supply of Products and Services Agreement between the Company and Shenhua Group	16,300	8,060	7.0	12,400	4,941	1.0
	Including: (1) Products		6,438	8.5		2,399	0.5
	(2) Services		1,622	37.7		2,542	9.1
D	Transportation Service Framework Agreement between the Company and Taiyuan Railway Bureau	–	–	–	12,400	5,994	31.6

No.	Name of agreement	Connected transaction item	Prevailing transaction capNote	Implementation during the reporting period
			RMB million	RMB million
C	Financial Services Agreement	1. annual total transaction amount of bill acceptance and discount services handled for Shenhua Group Corporation and its subsidiaries and associates ("Shenhua Group and its associates" (excluding the Group))	19,500	1,747
		2. daily balance of deposits from Shenhua Group and its associates (including relevant accrued interests incurred)	78,000	19,062
		3. daily balance of loans, consumption credit, buyer's credit and finance leasing (including relevant accrued interests incurred) granted to Shenhua Group and its associates	45,500	17,454
		4. daily balance of entrusted loans (including relevant accrued interests incurred)granted by Shenhua Group through Shenhua Finance Company to the Group	39,000	2,342
		5. sum of agency fees, handling fees or other service charges in respect of the financial services (including but not limited to rendering services such as consultancy, agency, settlement, account transfer, investment, finance leasing, letter of credit, online banking and entrusted loans) rendered to Shenhua Group and its associates	350	88

The above continuing connected transactions were settled in cash or bills and carried out in the ordinary course of business of the Company, and were subject to strict procedures of review and approval by independent directors and independent shareholders as well as disclosure requirements. The Company's business did not become reliant on its controlling shareholder as a result of those transactions.

The Independent Non-executive Directors of the Company have confirmed to the Board of the Company that they have reviewed the transactions contemplated under the agreements A to D above and are of the view that (1) those transactions were entered into in the ordinary course of business of the Group; (2) those transactions were on normal commercial terms or better terms; and (3) those transactions were conducted according to the agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Deloitte Touche Tohmatsu, the international auditors of the Company, have reviewed the transactions contemplated under the agreements A to D above and issued a letter to the Board, indicating that they were not aware of any matter for which they would consider that the continuing connected transactions above (1) had not been approved by the Company's Board of Directors; (2) were not in all material aspects, in accordance with the pricing policy of the Group, (3) were not entered into, in all material aspects, in accordance with the relevant agreements governing such transactions; and (4) the aggregate amount of those transactions for the year ended 31 December 2014 had exceeded the maximum aggregate annual value disclosed in the Company's announcements on the continuing connected transactions.

Certain related party transactions set out in Note 43 of the consolidated financial statements prepared under the International Financial Reporting Standards also constituted connected transactions under the Hong Kong Listing Rules and were 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.

3. Connected transactions regarding acquisition and disposal of assets

During the reporting period, the Company did not enter into any connected transactions regarding any acquisition and disposal of assets.

4. Material connected transactions regarding joint external investment

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

5. Debts and liabilities due from/owed to Connected Persons

Unit: RMB million

Related party	Affiliated relations	Funds offered to Connected Persons			Funds offered by Connected Persons to the listed company		
		Opening balance	Amount incurred	Closing balance	Opening balance	Amount incurred	Closing balance
Shenhua Group Corporation and its subsidiaries	Holding company and its subsidiaries	0	0	0	6,885.85	(4,712.00)	2,173.85
Other related parties	Others	743.28	(43.00)	700.28	0	0	0
	Total	743.28	(43.00)	700.28	6,885.85	(4,712.00)	2,173.85
Amount of funds offered by the Company to the controlling shareholder and its subsidiaries of during the reporting period (RMB)							0
Balance of funds offered by the Company to the controlling shareholder and its subsidiaries(RMB)							0
Reasons for forming connected debts and liabilities		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.					
Repayment of connected debts and liabilities		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 procedures in accordance with the relevant requirements. Currently, the abovementioned entrusted loans and loans are under normal repayment plan with repayment on both principal and interests as scheduled.					
Undertakings relevant to connected debts and liabilities		N/A					
The impact of connected debts and liabilities on the operating results and financial position of the Company		No provision for impairment for the balance of the above debts and liabilities has been made.					

Material contracts and performance thereof

Trust, contract and lease

☐Applicable ✓Not Applicable

Guarantees

✓ Applicable ☐Not applicable

Unit: RMB million

I. Guarantee provided by the Company to external parties (excluding guarantee given to its subsidiaries)													
Guarantor	Relationship between the guarantor and the listed company	Party guaranteed	Amount guaranteed	Date of provision of guarantee (execution date of agreement)	Beginning date of guarantee	Expiry date of guarantee	Type of guarantee	Whether performance has been completed	Whether guarantee is overdue	Amount of guarantee overdue	Whether counter-guarantee exists	Whether guarantee is for the benefit of related parties	Connected relations
Shenbao Energy Company	Subsidiary (guarantor is controlling shareholder)	Hulunbeier Liangyi Railway Company Limited	113.09	2008.8.30	2008.8.30	2029.8.29	Joint and several liability guarantee	No	Yes	1.84	No	No	N/A
Total amount of guarantee provided during the reporting period (excluding guarantee for subsidiaries)													(31.51)
Total balance of guarantee at the end of the reporting period (A) (excluding guarantee for subsidiaries)													113.09
II. Guarantee provided by the Company for the benefit of its subsidiaries													
Total amount of guarantee provided for the benefit of subsidiaries during the reporting period													513.05
Total balance of guarantee provided for the benefit of subsidiaries at the end of the reporting period (B)													513.05
III. Aggregated amount of guarantee provided by the Company (including guarantee for the benefit of its subsidiaries)													
Total amount of guarantee (A+B)													626.14
Percentage of total amount of guarantee to net assets of the Company (%)													0.2
Including:													
Amount of guarantee provided for the benefit of shareholders, de facto controller and their related parties (C)													0
Amount of guarantee directly or indirectly provided for the benefit of parties with a gearing ratio in excess of 70% (D)													113.09
Portion of the total amount of guarantee in excess of 50% of net assets (E)													0
Aggregated amount of the above three amounts of guarantee (double counting discounted) (C+D+E)													113.09
Description of the potential joint and several repayment liability for outstanding guarantee													See below
Description of guarantee													See below

Notes: 1. Of the total guaranteed balance, the guaranteed balance provided by the Company's subsidiaries (of which the Company is a controlling shareholder) to external parties at the end of the reporting period refers to the guaranteed amount provided by such subsidiary to external parties multiplied by the Company's shareholding in such subsidiary;

2. Percentage of total amount of guarantee to net assets of the Company = Total amount of guarantee/Equity attributable to equity holders of the Company under Accounting Standards for Business Enterprises.

(1) Details of material guarantees

At the end of the reporting period, the balance of the amount of guarantee provided by the Company for the benefit of its subsidiaries (of which the Company is a controlling shareholder) and the amount of guarantee provided by the Company and its subsidiaries (of which the Company is a controlling shareholder) for the benefit of external parties amounted to RMB626.14 million in total, including:

A. At the end of the reporting period, the guarantee provided by Shenbao Energy Company, a subsidiary owned as to 56.61% by the Company, for the benefit of external parties 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 one of the guarantors, provided joint and several liability guarantee in 2008 to Hulunbeier Liangyi Railway Company Limited (hereinafter referred to as the "Liangyi Railway Company", owned as to 14.22% by Shenbao Energy Company) for the syndicated loans. The major liability guaranteed was the debts due to the lender with a maximum balance of RMB207.5 million from 2008 to 2027, regardless of whether the debt is due when the above period expires. The above syndicated loans fall due by tranches between 2011 and 2026. The guarantee contract provides that the guarantee period of the guarantors for the debt shall be from the due date of each installment to two years after the due date of the last installment, i.e. 2029.

Liangyi Railway Company failed to pay the interests on the loan in a timely manner due to the deterioration in operation. As resolved by the shareholder's general meeting of Liangyi Railway Company, capital would be injected into Liangyi Railway Company by its shareholders (including Shenbao Energy Company); Shenbao Energy Company has injected an aggregated amount of RMB11.82 million into Liangyi Railway Company.

As at the end of the reporting period, the cumulative amount of principal of the loan repaid by Shenbao Energy Company according to percentage of shareholding on behalf of Liangyi Railway Company was RMB1.84 million. Shenbao Energy Company and other shareholders will jointly monitor Liangyi Railway Company to enhance its operation management. On 31 December 2014, the gearing ratio of Liangyi Railway Company was 95%. Shenbao Energy Company has made full provision for impairment on its 14.22% equity interests in Liangyi Railway Company and the repayment on its behalf.

B. At the end of the reporting period, the balance of the amount of guarantee provided by the Company for the benefit of its subsidiaries was as follow:

In 2008, China Development Bank ("CDB") offered a direct loan of USD350 million ("USD loan") to Shenhua Coal Chemical, a wholly-owned subsidiary of Shenhua Group, for a term from 26 August 2008 to 25 August 2018 for the Baotou coal-to-olefin project, with suretyship provided by Shenhua Group. The USD loan was passed to Baotou Coal Chemical Company) after the establishment of Baotou Coal Chemical Company by Shenhua Coal Chemical in 2013.

On 23 December 2013, the board of directors of the Company approved the acquisition of Baotou Coal Chemical Company by the Company and agreed that after the acquisition, the Company would replace Shenhua Group in providing guarantee for the benefit of Baotou Coal Chemical Company, subject to the consent of CDB.

During the reporting period, the guarantor of the USD loan was changed to the Company. The balance of the guarantee for the USD loan was USD83.8 million (equivalent to approximately RMB513.05 million), while the gearing ratio of Baotou Coal Chemical Company was 51%.

C. At the end of the reporting period, the guarantee provided by Shenhua Sichuan Energy Company (formerly known as Bashu Power Company), owned as to 51.0% by the Company, for the benefit of external parties was as follows: prior to the acquisition of Bashu Power Company by the Company in 2012, on 16 May 2003, Bashu Power Company and other shareholders of that company provided joint and several liability guarantee for the benefit of Sichuan Baima Circulating Fluidized Bed Demonstration Power Plant Co., Ltd. ("Baima Power Plant Company", owned as to 20% by Bashu Power Company) on a pro-rata basis based on percentage of shareholding for a loan with an aggregate amount of RMB770.7 million. As agreed in the maximum guarantee contract, the guarantee period shall be a two-year period from the next day after the due date of each loan specified in its respective loan agreement. The due date of the last loan is 14 May 2021.

As at 31 December 2014, Baima Power Plant Company had repaid all bank loans under the guarantee contract in advance, resulting in a loan balance of nil. The guarantee liability of Sichuan Energy Company in respect of Baima Power Plant Company was discharged.

(2) Opinion of independent directors on material guarantees

A. The guarantee on the syndicated loan of Liangyi Railway Company by Shenbao Energy Company was the continuation of the events that took place before the Company's acquisition of the equity interest in Shenbao Energy Company in 2011. The Company should maintain its concern on the guarantee to protect the interests of the Company and its shareholders as a whole.

B. The guarantee for the USD loan of Baotou Coal Chemical Company by the Company was the guarantee liability passed from Shenhua Group according to the acquisition contract during the Company's acquisition of the equity interest in Baotou Coal Chemical Company in 2013. No obvious sign of assuming liabilities for the external guarantee was discovered given the current normal opereation of Baotou Coal Chemical Company.

C. The guarantee for Baima Power Plant Company by Sichuan Energy Company was discharged and no guarantee liability was incurred in the reporting period.

Material Investments

For details please refer to the subsection headed "The Company's investments" of the "Directors' Report".

Performance of Commitments

✓Applicable ☐Not applicable

Commitments of the listed company, shareholders with 5% shareholding or more, the controlling shareholder and the de facto controller made during or subsisting in the reporting period

	Type of Commitment	Party Making the Commitment	Commitment	Time and Duration of Commitment	Any Time Limit for Commitment	Timely Performance of Commitment
Commitment in relation to initial public offering	Non-competition undertaking	Shenhua Group Corporation	The Company and Shenhua Group have entered into a "Non-competition Agreement" on 24 May 2005. Pursuant to such agreement, Shenhua Group 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 any potential business in competition.	24 May 2005, long-term	Yes. China Shenhua will initiate the acquisition of 14 asset items of Shenhua Group and its subsidiaries before 30 June 2019 (submitting the asset acquisition plan to the internal competent authorities of China Shenhua for approval).	Yes. The Company has initiated the acquisition of equity interest in certain power generation companies, of which Shenhua Group Corporation is the controlling shareholder, on 22 August 2014. Currently, the acquisition work is progressing in an orderly manner.

Appointment and Removal of Accounting Firms

Unit: RMB million

Change in Appointment of Accounting Firm	No
Name of Domestic Accounting Firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration of Domestic Accounting Firm	9.00
Term of Auditing of Domestic Accounting Firm	2
Name of International Accounting Firm	Deloitte Touche Tohmatsu
Remuneration of International Accounting Firm	1.50
Term of Auditing of International Accounting Firm	2

Unit: RMB million

	Name	Remuneration
Accounting Firm for Internal Control Audit	Deloitte Touche Tohmatsu Certified Public Accountants LLP	1.59
Sponsors	China International Capital Corporation Limited, China Galaxy Securities Co., Ltd.	0

Appointment and Removal of Accounting Firms: the appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the domestic and international auditors of the Company respectively for 2014 was approved at the 2013 annual general meeting of the Company held on 27 June 2014.

The above two auditors also served as the external auditors of several subsidiaries of the Company (of which the Company is a controlling shareholder) and their remuneration relating to non-audit services amounted to approximately RMB3.39 million during the reporting period. The provision of non-audit services to subsidiaries of the Company (of which the Company is a controlling shareholder) by Deloitte Touche Tohmatsu Certified Public Accountants LLP during the reporting period generated a service fee of approximately RMB0.28 million.

Sanctions and Rectifications Imposed on the Company, its Directors, Supervisors, Senior Management, Shareholders with 5% or More Shareholding and De Facto Controller

On 21 November 2014, Mr. Wu Ruosi resigned from the position of non-executive director of the Company, and his position as member of the remuneration committee was terminated at the same time. The resignation of Mr. Wu Ruosi will not have any impact on the operation of the Company and its subsidiaries. For relevant information of the resignation of Mr. Wu Ruosi, please refer to the H share announcement dated 24 November 2014, A share announcement dated 25 November 2014, H share announcement dated 5 December 2014 and A share announcement dated 6 December 2014 of the Company.

Save for the above disclosure, the Company, its directors, supervisors and senior management, were not subject to other judicial investigations, sanctions or accountability issues.

Convertible Corporate Bonds

☐Applicable ✓Not applicable

Other Material Matters

☐Applicable ✓Not applicable

Section VII Changes in Share Capital and Shareholders

Changes in equity

Changes in number of shares

There were no changes in the total number of shares and the shareholding structure of the Company during the reporting period. No preference shares have been issued by the Company.

	As at 31 December 2014	
	Number	Percentage (%)
I. Shares with selling restrictions	0	0.00
II. Shares without selling restrictions	19,889,620,455	100.00
1. RMB ordinary shares (A shares)	16,491,037,955	82.91
2. Overseas listed foreign shares (H shares)	3,398,582,500	17.09
III. Total number of shares	19,889,620,455	100.00

For the year ended 31 December 2014, the Group did not purchase, sell, or redeem any of the Company's securities as defined under the Hong Kong Listing rules.

Issuance and listing of securities

Issuance of securities in the previous three years as at the end of the reporting period

Name of Bonds	Date of Issue	Interest rate	Offering Amount	Interest Payment	Value Date	Maturity Date	Status of Redemption
Second tranche of medium-term notes for 2014	16 September 2014	5.04%	RMB10 billion	Principal is payable upon maturity with accrued interest paid annually	18 September 2014	18 September 2017	Outstanding
First tranche of medium-term notes for 2014	19 August 2014	5.10%	RMB10 billion	Principal is payable upon maturity with accrued interest paid annually	21 August 2014	21 August 2017	Outstanding
Third tranche of super short-term debentures for 2014	16 June 2014	4.73%	RMB10 billion	Principal is payable together with accrued interest upon maturity	17 June 2014	14 March 2015	Outstanding
Second tranche of super short-term debentures for 2014	10 March 2014	4.95%	RMB5 billion	Principal is payable together with accrued interest upon maturity	11 March 2014	7 September 2014	Redeemed
First tranche of super short-term debentures for 2014	7 March 2014	5.10%	RMB5 billion	Principal is payable together with accrued interest upon maturity	10 March 2014	5 December 2014	Redeemed
First tranche of medium-term notes for 2013	7 November 2013	5.49%	RMB5 billion	Principal is payable upon maturity with accrued interest paid annually	11 November 2013	11 November 2018	Outstanding
First tranche of super short-term debentures for 2013	13 September 2013	4.63%	RMB10 billion	Principal is payable together with accrued interest upon maturity	16 September 2013	13 June 2014	Redeemed

Statement on the issuance of securities in the previous years as at the end of reporting period: the aforesaid issuance of bonds did not affect the total number of shares and shareholding structure of the Company.

Changes in total number of shares, shareholding structure and assets and liabilities structure of the Company

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, placing, issuance of new shares, non-public offering of shares, exercise of warrants, implementation of share options incentive plan, business combination, conversion of convertible bonds, reduction of share capital, listing of shares held by internal employees or otherwise during the reporting period.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Articles of Association of the Company and PRC laws which would entitle the existing sharesholders to have priority to subscribe for new shares on a pro rata basis in the event of new share issuance by the Company.

Shareholders and De Facto Controller

Total number of shareholders

Total number of shareholders as at the end of the reporting period (accounts)	281,747
Of which: Registered holders of A shares(including Shenhua Group Corporation)	279,236
Registered holders of H shares	2,511
Total number of shareholders at the end of the fifth business day prior to the date of this annual report (accounts)	313,460
Of which: Registered holders of A shares(including Shenhua Group Corporation)	310,976
Registered holders of H shares	2,484

Shareholdings of top ten shareholders and top ten holders of marketable shares (or shareholders not subject to selling restrictions)

Unit: share

Shareholdings of the top ten shareholders							
Full name of shareholders	Increase/ decrease during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Number of non-circulating shares held	Shares subject to pledge or lock-up		Nature of shareholders
					Status	Number	
Shenhua Group Corporation Limited	0	14,521,846,560	73.01	0	Nil	N/A	State-owned
HKSCC NOMINEES LIMITED	–300,097	3,390,133,530	17.04	0	Unknown	N/A	Overseas corporate
Account No. 1 of National Council for Social Security Fund	0	180,000,000	0.90	0	Nil	N/A	State-owned
China Construction Bank – Penghua Value Advantage Equity Securities Investment Fund	31,844,563	42,781,872	0.22	0	Nil	N/A	Others
Industrial & Commercial Bank of China –Shanghai Index 50 Trading Open-end Index Securities Investment Fund	–8,500,561	21,818,181	0.11	0	Nil	N/A	Others
Bank of China Limited – Jiashi Hushen 300 Trading Open-end Index Securities Investment Fund	227,265	17,971,714	0.09	0	Unknown	128,700	Others
CSOP Asset Management Limited – CSOP FTSE China A50 ETF	–570,295	17,071,228	0.09	0	Nil	N/A	Others
Bank of Communications – E Fund 50 Index Securities Investment Fund	365,558	16,923,841	0.09	0	Nil	N/A	Others
Yangjiang Xizhilang Jelly Manufacturing Co., Ltd.	0	16,164,042	0.08	0	Nil	N/A	Others
Boshi Value Growth Securities Investment Fund	14,606,386	14,902,795	0.07	0	Nil	N/A	Others

Shareholdings of top ten shareholers not subject to selling restrictions			
Name of shareholders	Number of marketable shares not subject to selling restrictions	Type and number of shares	
		Type	Number
Shenhua Group Corporation Limited	14,521,846,560	RMB ordinary shares	14,521,846,560
HKSCC NOMINEES LIMITED	3,390,133,530	Overseas listed foreign shares	3,390,133,530
Account No. 1 of National Council for Social Security Fund	180,000,000	RMB ordinary shares	180,000,000
China Construction Bank – Penghua Value Advantage Equity Securities Investment Fund	42,781,872	RMB ordinary shares	42,781,872
Industrial & Commercial Bank of China –Shanghai Index 50 Trading Open-end Index Securities Investment Fund	21,818,181	RMB ordinary shares	21,818,181
Bank of China Limited – Jiashi Hushen 300 Trading Open-end Index Securities Investment Fund	17,971,714	RMB ordinary shares	17,971,714
CSOP Asset Management Limited – CSOP FTSE China A50 ETF	17,071,228	RMB ordinary shares	17,071,228
Bank of Communications – E Fund 50 Index Securities Investment Fund	16,923,841	RMB ordinary shares	16,923,841
Yangjiang Xizhilang Jelly Manufacturing Co., Ltd.	16,164,042	RMB ordinary shares	16,164,042
Boshi Value Growth Securities Investment Fund	14,902,795	RMB ordinary shares	14,902,795
Statement on the connected relationships among the above shareholders or whether they are parties acting in concert	The Company is not aware of any connected relationships among the top ten shareholders not subject to selling restrictions and the top ten shareholders, and whether they are parties acting in concert as defined in the "Measures for Administration of Acquisition of Listed Companies."		

Note: HKSCC Nominees Limited holds H shares on behalf of a number of clients.

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

As at 31 December 2014, persons 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 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 share/ domestic share	Nature of interest	Number of H shares/ domestic shares held	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	14,521,846,560	88.06	73.01
2	JPMorgan Chase & Co.	Beneficial owner; Investment manager; Trustee (other than a bare trustee); Custodian-corporation/Approved lending agent	H shares	Long position	339,247,323	9.98	1.71
				Short position	5,344,639	0.15	0.03
				Lending pool	198,971,250	5.85	1.00
3	BlackRock, Inc.	Interest of corporation controlled by the substantial shareholders	H shares	Long position	314,593,011	9.26	1.58
				Short position	7,761,000	0.23	0.04
4	Walter Scott & Partners Limited	Investment manager	H shares	Long position	206,484,582	6.08	1.04
5	The Bank of New York Mellon Corporation	Interest of corporation controlled by the substantial shareholders	H shares	Long position	203,964,713	6.00	1.03
				Short position	153,744,319	4.52	0.77
6	Lazard Asset Management LLC	Investment manager	H shares	Long position	174,371,649	5.13	0.88

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

Save as disclosed above, as at 31 December 2014, no other person held any interest and/or short position in the shares or underlying shares of the Company which is required to be recorded in the register to be kept thereunder, or was a substantial shareholder of the Company pursuant to section 336 of Part XV of the SFO.

Changes in controlling shareholder and de facto controller

Controlling shareholder

1. Legal person

<table>
<tr><td>Name</td><td colspan="3">Shenhua Group Corporation Limited</td></tr>
<tr><td>Legal representative</td><td colspan="3">Zhang Yuzhuo</td></tr>
<tr><td>Date of incorporation</td><td colspan="3">23 October 1995</td></tr>
<tr><td>Organization code</td><td colspan="3">10001826-7</td></tr>
<tr><td>Registered capital</td><td colspan="3">RMB39,409.56 million</td></tr>
<tr><td>Principal business</td><td colspan="3">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. (The projects are subject to approval under the law and approvals from the relevant authorities shall be obtained before commencement of the businesses)</td></tr>
<tr><td>Future development strategy</td><td colspan="3">Shenhua will further implement the clean energy development strategy based on its fundamental features of state-of-the-art technology, advanced management, value creation and innovation-driven approach. To become a world-class supplier of clean energy, Shenhua will accelerate the change in the concept and mode of development, push forward safe, transitional, innovative and harmonious development, and enhance the quality and efficiency of development, the standards of management, the capability of internationalization, the soft power of the enterprise and the ability to fulfill social responsbilities</td></tr>
<tr><td rowspan="3">Shareholdings in other domestic and overseas listed subsidiaries and associates during the reporting period</td><td>Name of listed company</td><td>Number of shares held at the end of the reporting period</td><td>Percentage of shareholding of that listed company</td></tr>
<tr><td>China National Chemical Engineering Co., Ltd.</td><td>143,068,000</td><td>2.90%</td></tr>
<tr><td>Bank of China Limited</td><td>99,999,900</td><td>0.04%</td></tr>
</table>

2. Index and date of changes in controlling shareholder during the reporting period

There was no change in controlling shareholder of the Company during the reporting period.

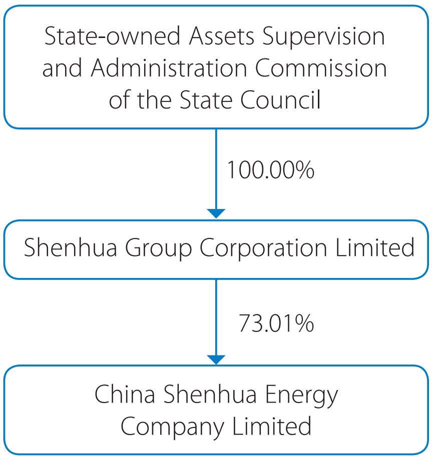
De facto controller

1. Name of the de facto controller: State-owned Assets Supervision and Administration Commission of the State Council

2. Index and date of changes in de facto controller during the reporting period

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

3. Diagram of the equity and controlling relationship between the Company and the de facto controller



4. 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% shareholding in the Company

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

Section VIII Directors, Supervisors, Senior Management and Employees

Changes in shareholding and remuneration

Changes in shareholding and remuneration of directors, supervisors and senior management

1. Directors, supervisors and senior management as at the end of the reporting period

Name	Position as at the end of the reporting period	Gender	Age	Date of appointment	Expiration of term of office	Total remuneration received from the Company during the reporting period (RMB ten thousands) (before tax)	Of which: performance remuneration received for previous years	Remuneration received from shareholders of the Company during the reporting period
Zhang Yuzhuo	Chairman	Male	52	22 August 2014	21 August 2017	0	0	Yes
	Executive Director							
Ling Wen	Vice Chairman	Male	51	22 August 2014	21 August 2017	62.45	36.30	Note (5)
	Executive Director							
Han Jianguo	Executive Director	Male	56	22 August 2014	21 August 2017	123.84	33.20	No
	President			27 June 2014	–			
Wang Xiaolin	Executive Director	Male	51	22 August 2014	21 August 2017	112.74	26.74	No
	Senior Vice President			24 May 2011	–			
Fan Hsu Lai Tai	Independent Non-executive Director	Female	69	22 August 2014	21 August 2017	45.00	0	No
Gong Huazhang	Independent Non-executive Director	Male	68	22 August 2014	21 August 2017	45.00	0	No
Guo Peizhang	Independent Non-executive Director	Male	65	22 August 2014	21 August 2017	45.00	0	No
Chen Hongsheng	Non-executive Director	Male	64	22 August 2014	21 August 2017	0	0	Yes
Zhai Richeng	Chairman of the Supervisory Committee	Male	50	22 August 2014	21 August 2017	0	0	Yes
Tang Ning	Supervisor	Male	59	22 August 2014	21 August 2017	98.66	0	No
Shen Lin	Supervisor	Male	54	22 August 2014	21 August 2017	43.46	0	No
Li Dong	Senior Vice President	Male	54	24 May 2011	–	112.74	26.73	No
Hao Gui	Senior Vice President	Male	52	24 May 2011	–	99.64	17.01	No
Xue Jilian	Senior Vice President	Male	60	24 May 2011	–	99.64	16.86	No
Wang Pingang	Senior Vice President	Male	53	24 May 2011	–	99.64	16.95	No
Wang Jinli	Senior Vice President	Male	55	27 September 2013	–	82.50	0	No
Huang Qing	Secretary to the Board	Male	49	6 November 2004	–	110.96	33.58	No
Zhang Kehui	Chief Financial Officer	Female	51	22 January 2007	–	108.20	31.77	No
Total	/	/	/	/	/	1,289.47	239.14	/

Note: (1) The remuneration package of directors and supervisors for 2014 is subject to approval by the Company at the 2014 annual general meeting; the remuneration package of the senior management was approved by the board of directors; the remunerations payable to directors, supervisors and senior management include salaries, allowances, social benefit payment, income tax and retirement scheme contributions;

(2) The personnel mentioned above did not hold any shares in the Company as at the end of the reporting period;

(3) The senior management of the Company are eligible for re-appointment by the board of directors;

(4) Ages of the personnel were calculated as at 31 December 2014;

(5) The remuneration received by Ling Wen from the Company covers the period from January to May 2014, while the remuneration from June to December was paid by Shenhua Group Corporation; the remuneration received by Shen Lin from the Company covers the period from September to December 2014; and the remuneration of others received from the Company covers the whole year.

2. Directors, supervisors and senior management who resigned during the reporting period

Name	Position before resignation	Gender	Age	Date of appointment	Date of resignation	Total remuneration received from the Company during the reporting period (RMB ten thousand) (before tax)	Of which: performance remuneration received for previous years	Remuneration received from shareholders of the Company during the reporting period
Zhang Xiwu	Chairman Executive director	Male	56	18 June 2010	5 March 2014	0	0	Yes
Kong Dong	Non-executive director	Male	66	25 May 2012	22 August 2014	0	0	Yes
Wu Ruosi	Non-executive director	Male	64	22 August 2014	21 November 2014	0	0	Yes
Sun Wenjian	Chairman of supervisory committee	Male	59	18 June 2010	22 August 2014	0	0	Yes
Zhao Shibin	Supervisor	Male	45	18 June 2010	22 August 2014	64.47	0	No
Zhai Guiwu	Vice president	Male	51	24 May 2011	12 September 2014	83.14	27.91	No
Total	/	/	/	/	/	147.61	27.91	/

Note: (1) The remuneration package of the above directors and supervisors for the year 2014 is subject to approval by the Company at the 2014 annual general meeting; the remuneration package of the senior management was approved by the board of directors; the remunerations payable to directors, supervisors and senior management include salaries, allowances, social benefit payment, income tax and retirement scheme contributions;

(2) The personnel mentioned above did not hold any shares of the Company as at the end of the reporting period;

(3) Ages of the personnel were calculated as at 31 December 2014;

(4) Please refer to relevant information in this chapter for details of resignation;

(5) The remuneration received from the Company by Zhao Shibin and Zhai Guiwu covers the periods from January to August 2014 and from January to September 2014, respectively.

3. Biographical details of the directors, supervisors and senior management as at the end of the reporting period

Dr. Zhang Yuzhuo

aged 52, Chinese

Chairman and executive director

Born in January 1962, Chinese, a researcher and fellow of the Chinese Academy of Engineering. Dr. Zhang has extensive experience in corporate management and professional management in the coal industry in China. He received a Ph.D. degree from the University of Science and Technology of Beijing in 1989, and conducted postdoctoral studies and research in clean coal technology at the University of Southampton in the UK and Southern Illinois University in the USA from 1992 to 1996.

Dr. Zhang has served as chairman and exective director of the third session of the board of directors of the Company since August 2014, director of Shenhua Group Corporation since December 2008, and chairman for Shenhua Group Corporation since May 2014.

Dr. Zhang served as chairman of China Shenhua Coal Liquefaction Company Limited from 2003 to 2010, chairman of Shenhua Hong Kong Limited from 2005 to 2010, general manager of Shenhua Group Corporation from 2008 to 2014, non-exective director of the second session of the board of directors of the Company from 2004 to 2010, vice chairman of the second session of the board of directors of the Company from 2011 to 2014, exective director of the second session of the board of directors of the Company from 2010 to 2014, and chairman of the second session of the board of directors of the Company from June to August 2014.

Prior to the foregoing, Dr. Zhang had served in various capacities, including non-exective director of the first session of the board of directors of the Company, deputy general manager of Shenhua Group Corporation, 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. Ling Wen

aged 51, Chinese

Vice chairman and executive director

Born in February 1963, Chinese, a professor. Dr. Ling has extensive management experience in financial institutions and enterprises. He received a Ph.D. degree from Harbin Institute of Technology in 1991, and conducted postdoctoral research in macroeconomics in Shanghai Jiao Tong University from 1992 to 1994.

Dr. Ling has served as vice chairman and exective director of the third session of the board of directors of the Company since August 2014, director of Shenhua Group Corporation sicne April 2010, and general manager of Shenhua Group Corporation since May 2014. Dr. Ling is also a professor and mentor for doctoral students at Renmin University of China and China University of Mining and Technology.

Dr. Ling served as director and deputy general manager of Shenhua Group Corporation from 2010 to 2014, chairman of the board of directors of Shenhua Finance Company from 2002 to 2014, president of the Company from 2006 to 2014, executive director of the second session of the board of directors of the Company from 2010 to 2014, and vice chairman of the second session of the board of directors of the Company from June to August 2014.

Prior to the foregoing, Dr. Ling had served in various capacities, including exective director of the first session of the board of directors, executive vice president and chief financial officer of the Company, 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.

Mr. Han Jianguo

aged 56, Chinese

Executive director and president

Born in April 1958, Chinese, a researcher. Mr. Han has extensive experience in Chinese coal industry, macroeconomics and corporate management. He received a master's degree from Tongji University in 1999.

Mr. Han has served as president of the Company since June 2014, exective director of the third session of the board of directors of the Company since August 2014, deputy general manager of Shenhua Group Corporation since August 2003, chief information officer of Shenhua Group Corporation since March 2009, and director of Shenhua Group Corporation since July 2014.

He served as a non-executive director of the first session and second session of the board of directors of the Company from 2004 to 2011, executive director of the second session of the board of directors of the Company from 2011 to 2014, and senior vice president of the Company from 2011 to 2014.

Prior to the foregoing, Mr. Han had served in various capacities, including chairman and general manager of Shenhua Coal Trading Company Limited, and division head of the State Development and Planning Commission.

Mr. Wang Xiaolin

aged 51, Chinese

Executive director and senior vice president

Born in October 1963, Chinese, a senior engineer. Mr. Wang has extensive knowledge about China's coal industry. He graduated from China University of Mining and Technology in 1983 with a bachelor's degree.

Mr. Wang has served as senior vice president of the Company since May 2011, exective director of the third session of the board of directors of the Company since August 2014, secretary to the board of directors of Shenhua Group Corporation since December 2005, and deputy general manager of Shenhua Group Corporation since August 2006.

Prior to the foregoing, Mr.Wang had served in various capacities, including assistant to the general manager and director of the General Dispatching Office of Shenhua Group Corporation, vice chairman and general manager of Shenhua Huanghua Harbour Administration Company Limited, and manager and deputy manager of the Planning Department of Shenhua Group Corporation.

Ms. Fan Hsu Lai Tai

aged 69, Chinese

Independent non-executive director

Born in September 1945, Chinese. Ms. Fan has extensive experience in legislative and supervision affairs. She received a master's degree from the University of Hong Kong in 1973.

Ms. Fan has served as an independent non-executive director of the third session of the board of directors of the Company since August 2014, independent non-executive director of China COSCO Holdings Company Limited since January 2009, independent non-executive director of China Overseas Land & Investment Ltd. since February 2009, independent non-executive director of Cosco Pacific Limited since May 2011, and a member of the Standing Committee of the 12th National People's Congress of China since March 2013.

Ms. Fan served as an independent non-executive director of the second session of the board of directors of the Company from 2010 to 2014.

Prior to the foregoing, Ms. Fan had served in various capacities, including deputy to the ninth and tenth National People's Congress of China, member of the Standing Committee of the 11th National People's Congress, member of Preliminary Working Committee for Preparatory Committee, member of Preparatory Committee, president of the Legislative Council of the Hong Kong Special Administrative Region, director of Career Centre of the University of Hong Kong, and assistant dean of Hong Kong Polytechnic Institute.

Mr. Gong Huazhang

aged 68, Chinese

Independent non-executive director

Born in February 1946, Chinese, a professor-level senior accountant. Mr. Gong graduated from Jiangsu Yangzhou Business School in 1965 and has over 40 years' experience in accounting.

Mr. Gong has served as independent non-executive director of the third session of the board of directors of the Company since August 2014, independent non-executive director of Nanyang Commercial Bank (China) Limited since December 2007 and external director of Dongfang Electric Corporation since April 2009, and of China National Cereals, Oils and Foodstuffs Corporation since April 2011. Mr. Gong is also a member of China Valuation Standards Committee, special councilor of China Appraisal Society and consultant of the Accounting Society of China and the Pricing Association of China. Mr. Gong is a part-time professor at Tsinghua University, Nankai University, Xiamen University, Shanghai National Accounting Institute, Xiamen National Accounting Institute and China University of Petroleum (Beijing) and a professor at Beijing National Accounting Institute.

Mr. Gong served as independent non-executive director of the first and second sessions of the board of directors of the Company from 2009 to 2014, independent non-executive director of China Southern Airlines Company Limited from 2007 to 2013 and independent non-executive director of China Railway Group Limited from 2007 to 2014.

Prior to the foregoing, Mr. Gong had served in various capacities, including chief accountant of China National Petroleum Corporation, director of Petrochina Company Limited and chairman of China Petroleum Finance Co., Ltd.

Mr. Guo Peizhang

aged 65, Chinese

Independent non-executive director

Born in August 1949, Chinese, a senior economist. Mr. Guo has extensive experience in macroeconomics and enterprise management. He graduated from Renmin University of China in 1982 with a bachelor's degree.

Mr. Guo has served as independent non-executive director of the third session of the board of directors of the Company since August 2014, external director of Dongfang Electric Corporation since December 2010 and independent non-executive director of China Railway Group Limited since June 2014.

Mr. Guo served as ndependent non-executive director of the second session of the board of directors of China Shenhua from 2010 to 2014, party member and head of disciplinary inspection panel of China Guodian Corporation from 2005 to 2010 and chairman of the supervisory committee of Guodian Power Development Co., Ltd. from 2009 to 2010.

Prior to the foregoing, Mr. Guo had served in various capacities, including deputy director and director of the Department of Regional Economic Development of State Development and Planning Commission, and deputy supervisor of the Planning Committee of Xinjiang Autonomous Region.

Mr. Chen Hongsheng

aged 64, Chinese

Non-executive director

Born in March 1950, Chineses, a senior economist. Mr. Chen has extensive experience in the production, operation and management in the shipping industry. He graduated from Capital University of Economics and Business in 2001 with a postgraduate diploma in business administration.

Mr. Chen has served as non-executive director of the third session of the board of directors of the Company since August 2014, external director of Sinotrans & CSC Holdings Corporation Limited since December 2011, of Shenhua Group Corporation since February 2012 and of State Development and Investment Corporation since April 2012.

Mr. Chen served as non-executive director of the second session of the board of directors of the Company from 2012 to 2014, executive director, chairman of the board of directors and non-executive director of COSCO Pacific Limited from 2003 to 2010, and non-executive director of China COSCO Holdings Company Limited from 2009 to 2010.

Prior to the foregoing, Mr. Chen had served in various capacities, including chairman of COSCO Shipping Co., Ltd., executive director and general manager of China COSCO Holdings Company Limited, vice president of China Ocean Shipping (Group) Company and general manager of COSCO International Freight Co. Ltd.

Supervisors

Mr. Zhai Richeng

aged 50, Chinese

Chairman of the Supervisory Committee

Born in July 1964, Chinese, a senior accountant. Mr.Zhai received a master's degree from China University of Mining and Technology in 2003.

Mr. Zhai has served as chairman of the third session of the supervisory committee of the Company since August 2014 and general manager of the financial department of Shenhua Group (ranked as assistant to general manager of Shenhua Group) since January 2011.

Mr. Zhai served as general manager of the financial department of Shenhua Group from 2004 to 2011.

Prior to the foregoing, Mr. Zhai had served in various capacities, including deputy manager of the financial department of Shenhua Group, director of financial division and chief accountant of Shenhua Zhunge'er Coal Company.

Mr. Tang Ning

aged 59, Chinese

Supervisor

Born in April 1955, Chinese. Mr. Tang graduated from the Party School of the Central Committee of CPC in 1998.

Mr. Tang has served as supervisor of the third session of the Supervisory Committee of the Company since August 2014 and general manager of the delegated Supervisory Committee of Shenhua Group Corporation since June 2013.

Mr. Tang served as supervisor of the second session of the supervisory committee of the Company from 2010 to 2014, deputy director of Property Ownership Administration of Shenhua Group Corporation from 2010 to 2011 and general manager of the first division of the delegated Supervisory Committee of Shenhua Group Corporation from 2011 to 2013.

Prior to the foreging, Mr. Tang had served in various capacities, including director and general manager of Shenhua Hong Kong Limited head of board office, deputy supervisor and office supervisor of Shenhua Group Corporation.

Mr. Shen Lin

aged 54, Chinese

Supervisor

Born in May 1960, Chinese, a senior economist. Mr. Shen graduated from Harbin Institute of Technology in 2005 with a master's degree.

Mr. Shen has served as employee representative supervisor of the third session of the supervisory committee of the Company since August 2014, chief of the Department of Enterprise Culture of the Company since July 2010 and chief of the Department of Party Building of Shenhua Group since July 2010.

Mr. Shen served as deputy chief of the Department of Enterprise Culture of the Company and deputy chief of the Department of Party Building of the Shenhua Group from 2009 to 2010.

Prior to the foregoing, Mr. Shen served for Shenhua Baoshen Railway Co., Ltd. in various positions such as human resource manager, deputy chief economist, chief economist, deputy secretary to the Party committee and secretary to the commission for discipline inspection.

Senior Management

Mr. Han Jianguo

aged 56, Chinese

Executive director and president

Born in April 1958, Chinese, a researcher. Mr. Han has extensive experience in Chinese coal industry, macroeconomics and corporate management. He received a master's degree from Tongji University in 1999.

Mr. Han has served as president of the Company since June 2014, executive director of the third session of the board of directors of the Company since August 2014, deputy general manager of Shenhua Group Corporation since August 2003, chief information officer of Shenhua Group Corporation since March 2009, and director of Shenhua Group Corporation since July 2014.

He served as a non-executive director of the first session and second session of the board of directors of the Company from 2004 to 2011, executive director of the second session of the board of directors of the Company from 2011 to 2014, and senior vice president of the Company from 2011 to 2014.

Prior to the foregoing, Mr. Han had served in various capacities, including chairman and general manager of Shenhua Coal Trading Company Limited, and division head of the State Development and Planning Commission.

Mr. Wang Xiaolin

aged 51, Chinese

Executive director and senior vice president

Born in October 1963, Chinese, a senior engineer. Mr. Wang has extensive knowledge about China's coal industry. He graduated from China University of Mining and Technology in 1983 with a bachelor's degree.

Mr. Wang has served as senior vice president of the Company since May 2011, executive director of the third session of the board of directors of the Company since August 2014, secretary to the board of directors of Shenhua Group Corporation since December 2005, and deputy general manager of Shenhua Group Corporation since August 2006.

Prior to the foregoing, Mr.Wang had served in various capacities, including assistant to the general manager and director of the General Dispatching Office of Shenhua Group Corporation, vice chairman and general manager of Shenhua Huanghua Harbour Administration Company Limited, and manager and deputy manager of the Planning Department of Shenhua Group Corporation.

Dr. Li Dong

aged 54, Chinese

Senior vice president

Born in January 1960, Chinese, a professor-level senior engineer. Dr. Li has extensive experience in the management of coal enterprises in China. He obtained a master's degree from China Europe International Business School in 2005 and a Ph.D. degree from Liaoning Technical University in 2005.

Dr. Li has served as senior vice president of the Company since May 2011, vice general manager of Shenhua Group Corporation since August 2006 and general counsel of Shenhua Group Corporation since December 2011. Prior to the foregoing, Dr. Li had served in various capacities, including deputy chief engineer of Shenhua Group Corporation, chairman of Shenhua Zhunge'er Energy Co., Ltd., and head of General Manger's Office of Shenhua Group Corporation Limited.

Dr. Hao Gui

aged 52, Chinese

Senior vice president

Born in November 1962, Chineses, a senior economist and professor. Dr. Hao has in-depth industry knowledge with over 20 years of operational and managerial experience in the coal industry in China. He received a Ph.D. degree from China University of Mining and Technology in 2006.

Dr. Hao Gui has served as senior vice president of the Company since May 2011 and vice general manager of Shenhua Group Corporation since April 2010.

Dr. Hao served as vice president of the Company from 2004 to 2010.

Prior to the foregoing, Dr. Hao had served in various capacities, including deputy chief economist of Shenhua Group Corporation, 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.

Mr. Xue Jilian

aged 60, Chinese

Senior vice president

Born in October 1954, Chinese, a professor-level senior engineer. Mr. Xue has extensive operational and managerial experience in large-scale railway construction and rail transportation enterprises. He received a master's degree from Southwest Jiaotong University in 2001 and obtained an MBA degree from Cheung Kong Graduate School of Business in 2008.

Mr. Xue has served as senior vice president of the Company since May 2011 and has also served as deputy general manager of Shenhua Group Corporation since April 2010.

Mr. Xue served as vice president of the Company between 2004 and 2010 and, chairman andgeneral manager of Shuohuang Railway Development Company Limited, a subsidiary of the Company, between 2003 and 2014.

Prior to the foregoing, Mr. Xue had served in various capacities, including as deputy director and chief engineer of No.16 Construction Bureau of the Ministry of Railways.

Mr. Wang Pingang

aged 53, Chinese

Senior vice president

Born in July 1961, Chinese, a senior engineer. Mr. Wang has extensive operational and managerial experience in large-scale power enterprises. He graduated from Northeast Power Institute of China with double bachelor's degrees in 1987. Mr. Wang has served as senior vice president of the Company since May 2011 and deputy general manager of Shenhua Group Corporation since April 2010.

Mr. Wang served as vice president of the Company between 2004 and 2010, and chairman of Beijing Guohua Power Company Limited between 2011 and 2013.

Prior to the foregoing, Mr. Wang had served in various capacities, including chief engineer, deputy chief engineer and manager of the Power Operations Department of Beijing Guohua Power Company Limited, general manager, deputy general manager and chief engineer of Suizhong Power Co., Ltd..

Dr. Wang Jinli

aged 55, Chinese

Senior vice president

Born in March 1959, Chinese, a researcher and senior engineer. Dr. Wang has approximately 30 years of operational and managerial experience in the coal industry in China. Dr. Wang received an EMBA Degree from Tsinghua University in 2009 and graduated from Liaoning University of Engineering and Technology with a Ph.D. degree in 2006.

Dr. Wang has served as senior vice president of the Company since September 2013 and deputy general manager of Shenhua Group Corporation Limited since July 2013.

Dr. Wang had served as vice president of the Company between 2004 and 2013, andchairman of Shenhua Coal Trading Co., Ltd., a subsidiary of Shenhua Group, and chairman of Shenhua Trading Group Limited, a subsidiary of the Company between 2010 and 2014.

Prior to the foregoing, Dr. Wang had served in various capacities, including chairman of Shenhua Australia Holdings Pty Limited, chairman, general manager and deputy general manager of Shenhua Shendong Coal Company, director of the Changchun Coal Technology Centre, director of the Huichun Coal Mining Bureau.

Mr. Huang Qing

aged 49, Chinese

Secretary to the Board

Born in November 1965, Chinese, a senior engineer. Mr. Huang obtained a board secretary certification from Shanghai Stock Exchange in 2004. Mr. Huang is a member of the Hong Kong Institute of Chartered Secretaries and a senior visiting scholar of the Eisenhower Foundation. Mr. Huang received a master's degree from Guangxi University in 1991.

Mr. Huang has served as secretary to the Board of the Company and company secretary of the Company since November 2004.

Prior to the foregoing, Mr. Huang had served in various capacities, including secretary to the chairman of Shenhua Group corporation, deputy director of the General Office of Shenhua Group Corporation, deputy general manager of Hubei Provincial Railway Company, secretary to the deputy governor of the Hubei provincial government.

Dr. Zhang Kehui

aged 51, Chinese

Chief financial officer

Born in February 1963, a researcher, a certified accountant in China as well as a fellow of certified public accountants of Australia (FCPA). Dr. Zhang has extensive experience in financial management and received a Ph.D. degree from Research Institute for Fiscal Science, Ministry of Finance, PRC in 2014.

Dr. Zhang has served as chief financial officer of the Company since January 2007, and chairman of Shenhua Finance Company, a subsidiary of the Company, since August 2014,.

Prior to the foregoing, Dr. Zhang had served in various capacities, including head of internal control and audit department of the Company, deputy manager of the financial department of Shenhua Group Corporation, assistant to the general manager of Shuohuang Railway Development Company Limited.

Equity incentive plan awarded to directors, supervisors and senior management during the reporting period

☐Applicable ✓Not Applicable

Positions of current directors, supervisors and senior management

Positions held in the shareholders of the Company

✓Applicable ☐Not Applicable

Name	Name of shareholder	Position held	Commencement of term of office	Expiry of term of office
Zhang Yuzhuo	Shenhua Group Corporation	Chairman	2014-05	–
Ling Wen	Shenhua Group Corporation	Director	2010-04	–
		General manager	2014-05	–
Han Jianguo	Shenhua Group Corporation	Director	2014-07	–
		Deputy general manager	2003-08	–
		Chief information officer	2009-03	–
Wang Xiaolin	Shenhua Group Corporation	Deputy general manager	2006-08	–
		Secretary to the Board	2005-12	–
Chen Hongsheng	Shenhua Group Corporation	External director	2012-02	–
Zhai Richeng	Shenhua Group Corporation	General manager of Financial Department	2003-01	–
		Deputy chief	2011-01	–
Tang Ning	Shenhua Group Corporation	Managing director of the division of delegated Supervisory Committee	2013-06	–
Shen Lin	Shenhua Group Corporation	General manager of the division of Party Construction	2010-07	–
Li Dong	Shenhua Group Corporation	Deputy general manager	2006-08	–
		General counsel	2011-12	–
Hao Gui	Shenhua Group Corporation	Deputy general manager	2010-04	–
Xue Jilian	Shenhua Group Corporation	Deputy general manager	2010-04	2015-01
Wang Pingang	Shenhua Group Corporation	Deputy general manager	2010-04	–
Wang Jinli	Shenhua Group Corporation	Deputy general manager	2013-07	–
	Shenhua Coal Trading Company Limited	Chairman	2010-12	2014-08

Positions held in other entities

✓Applicable ☐Not Applicable

Name	Name of other entities	Position held	Commencement of term of office	Expiry of term of office
Fan Hsu Lai Tai	COSCO Pacific Limited	Independent non-executive director	2009-01	–
	China Overseas Land & Investment Limited	Independent non-executive director	2009-02	–
	China COSCO Holdings Company Limited	Independent non-executive director	2011-05	–
Gong Huazhang	Nanyang Commercial Bank (China) Limited	Independent non-executive director	2007-12	–
	Dongfang Electric Corporation Limited	External director	2009-04	–
	COFCO Corporation	External director	2011-04	–
	China Railway Group Limited	Independent non-executive director	2007-09	2014-06
Guo Peizhang	Dongfang Electric Corporation Limited	External director	2010-12	–
	China Railway Group Limited	Independent non-executive director	2014-06	–
Chen Hongsheng	SINOTRANS & CSC Holdings Co., Ltd.	External director	2011-12	–
	State Development & Investment Corp.	External director	2012-04	–

Remuneration of directors, supervisors and senior management

Decision-making procedures for the remuneration of directors, supervisors and senior management	The remuneration package of directors and supervisors was submitted to the general meeting for approval after consideration and approval by the Remuneration Committee and the board of directors, and the remuneration package of senior management was submitted to the board of directors for approval after consideration and approval by the Remuneration Committee
Basis for determining the remuneration of directors, supervisors and senior management	The remuneration package of relevant directors and supervisors was proposed by 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. The remuneration package of senior management of the Company was formulated by the Company in accordance with "Provisional Measures for the Administration of the Annual Remuneration of the Senior Management".
Remuneration payable for remuneration of directors, supervisors and senior management	Please refer to "Changes in shareholding and remuneration of directors, supervisors and senior management" in this section
Total remuneration actually obtained by all directors, supervisors and senior management at the end of the reporting period	Please refer to "Changes in shareholding and remuneration of directors, supervisors and senior management" in this section

Changes of directors, supervisors and senior management

At the 2014 First Extraordinary General Meeting of the Company held on 22 August 2014, Directors of the Third Session of the Board of Directors and Shareholders' Representative Supervisors of the Third Session of the Supervisory Committee were elected.

Name	Position held before the change	Position held after the change	Reason for the change
Zhang Yuzhuo	Vice chairman and executive director	Chairman and executive director	Elected by the general meeting, elected by the board of directors
Ling Wen	Executive director and president	Vice chairman and executive director	Elected by the general meeting, elected by the board of directors
Han Jianguo	Executive director and senior vice president	Executive director and president	Elected by the general meeting, appointed by the board of directors
Wang Xiaolin	Senior vice president	Executive director and senior vice president	Elected by the general meeting
Zhai Richeng	–	Chairman of supervisory committee	Elected by the general meeting, elected by the Supervisory Committee
Shen Lin	–	Supervisor (Employee representative)	Elected by employees

Name	Position held before the change	Position held after the change	Reason for the change
Zhang Xiwu	Chairman	–	Resignation due to job change
Kong Dong	Non-executive director	–	Expiry of term of office
Wu Ruosi	–	Non-executive director	Election of the general meeting
	Non-executive director	–	Resignation due to personal reasons
Sun Wenjian	Chairman of supervisory committee	–	Expiry of term of office
Zhao Shibin	Supervisor	–	Expiry of term of office
Zhai Guiwu	Vice president	–	Resignation due to personal reasons

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

As at 31 December 2014, 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 supervisors and senior management of the Company. After specific inquiries conducted by the Company, all the directors, supervisors or senior management have confirmed that they have fully complied with the Model Code throughout 2014 or during their terms of office.

All the directors and supervisors have provided relevant training records to the Company, and, in accordance with relevant requirements, participated in the training on internal control and the listing rules governing A shares. The Secretary to the board of directors of the Company has participated in training programs organized by a number of institutions including the stock exchanges where the shares are listed and The Hong Kong Institute of Chartered Secretaries for more than 15 hours in accordance with relevant requirements.

When considering any matters or transactions at any board meeting, the directors are required to declare any direct or indirect interests and recuse themselves where appropriate. 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 2014 and subsisting during or at the end of the year of 2014; the directors and supervisors of the Company have confirmed that they and their associates have not entered into any connected transaction with the Company and its subsidiaries.

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). The Company has maintained appropriate liability insurance for its directors, supervisors and senior management.

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 2014, 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.

Core technical teams or key technical personnel of the Company

During the reporting period, no changes of technical teams or personnel that would significantly affect the core competitiveness of the Company.

Employees of the Group

Employees as at the end of the reporting period

Number of current employees of the headquarters of the Company	711
Number of current employees of the subsidiaries and branches	92,027
Total number of current employees of the Group	92,738
Number of retired employees in respect of which the Group bore cost	10,332
Function	
Function	Number of person
Production	61,599
Sales	2,282
Technical	10,083
Finance and accounting	1,562
Administration	13,252
Others	3,960
Total	92,738
Education Level	
Education level	Number of person
Postgraduate and above	2,887
University graduate	26,350
College graduate	24,577
Specialized secondary school graduate	14,715
Graduate of technical school, high school and below	24,209
Total	92,738

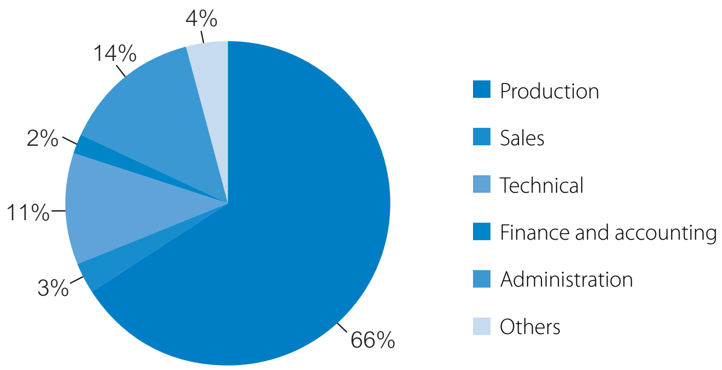
Remuneration policy

The Company has formulated a remuneration policy comprising basic salary and performance assessment. The remuneration policy is competitive within the industry and is favouring the front-line employees.

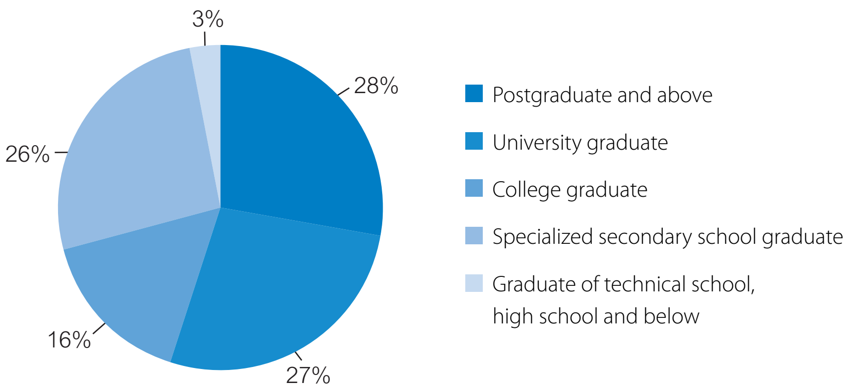
Training program

The Company has established a training system with different levels and channels to provide the employees with appropriate training in job skills, safe production and group management etc. During 2014, the accrued capital used for training was approximately RMB189 million. The number of attendances in training was approximately 1.17 million with training hours of approximately 3.4 hours/person-time. For details, please refer to the 2014 CSR Report of the Company.

By function



By education level



Outsourced Work

Total number of working hours of outsourced work	approximately 72.19 million hours
Total amount of outsourced work	RMB2.99 billion

Section IX Corporate Governance and Corporate Governance Report

Explanation on Corporate Governance

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

The Company's compliance with domestic regulatory requirements

During the reporting period, there was no material difference between the corporate governance of the Company and the relevant rules and requirements of the CSRC. The Company and its directors, supervisors and senior management have neither been subject to any inspection, administrative punishment and notice of criticism by the CSRC nor have they been penalized by any other regulatory authorities or publicly censured by any stock exchanges.

The Company's compliance with the Corporate Governance Code

The board of directors is responsible for corporate governance of the Company. The Company has adopted the corporate governance policies as set out in Appendix 14 of the Hong Kong Listing Rules, and established its own system of corporate governance. As of 31 December 2014, the Company has been in full compliance with the provisions and most of the recommended best practices as specified therein. For the terms of reference of the board of directors and the Board Committees to perform duties under the Corporate Governance Code, please refer to the Articles of Association, Rules of Procedure of the Board of Directors and rules of procedure of the Board Committees, which have been published on the websites of the stock exchanges where the Company is listed and on the Company's website.

The convening, voting and disclosure procedures of board meetings of the Company, rules of procedure of the board of directors and procedures for nomination and appointment of directors are in compliance with relevant requirements. The board of directors is a standing decision-making body of the Company. The Articles of Association sets out the respective duties of the Chairman of the Board and the President in detail.

The board of directors of the Company has adopted the board diversity policy and members of the board of directors of the Company are from a variety of backgrounds, which guarantees the rationality and reasonableness of decisions made by the board of directors. Members of the board of directors are individuals from various domestic and overseas industries, including one female director. The number of non-executive directors accounts for half of all directors. Each director's knowledge base and field of expertise are professional and complementary in the overall board structure.

For further details of the information required to be disclosed in accordance with the requirements as set out in Appendix 14 of the Hong Kong Listing Rules, please refer to the relevant sections of this report.

Amendments to rules and regulations during the reporting period

No.	Target of Amendments	Date of Approval	Procedure for effective approval
1	"Rules of Procedure of Meetings of the Audit Committee of the Board of Directors"	28 March 2014	43rd meeting of the second session of the board of directors
2	"Rules on Work of the Audit Committee of the Board of Directors"		
3	"Measures for the Management of the Use of Proceeds"		
4	"Rules of Procedure of Meetings of the Nomination Committee of the Board of Directors"	22 August 2014	2nd meting of the third session of the board of directors

The Company's main regulatory documents in respect of corporate governance are:

(1) "Articles of Association"*

(2) "Rules of Procedure of General Meeting"

(3) "Rules of Procedure of Meetings of the Board of Directors"*

(4) "Rules of Procedure of Meetings of the Strategy Committee of the Board of Directors"

(5) "Rules of Procedure of Meetings of the Remuneration Committee of the Board of Directors"*

(6) "Rules of Procedure of Meetings of the Nomination Committee of the Board of Directors"*

(7) "Rules of Procedure of Meetings of the Safety, Health and Environment Committee"

(8) "Rules of Procedure of Meetings of the Audit Committee of the Board of Directors"*

(9) "Rules on Work of the Audit Committee of the Board of Directors"*

(10) “Rules on Work of Annual Report of the Audit Committee of the Board of Directors”*

(11) “Independent Directors System”*

(12) “Rules of Procedure of Meetings of the Supervisory Committee”

(13) “Rules on Work of the President”

(14) “Rules on Work of the Secretary to the Board of Directors”*

(15) “Related Party Transactions Decision Making Systems”*

(16) “Provisional Measures for the Management of Provision of Guarantees”*

(17) “Provisional Measures for Investment Management”

(18) “Management System for Regulating Fund Transfers with Related Parties”*

(19) “Measures for the Management of the Use of Proceeds”*

(20) “Information Disclosure System” *

(21) “Internal Reporting System of Significant Events”

(22) “Investor Relations Management System”

(23) “Model Code on Securities Trading by Directors”

(24) “The Accountability System for Material Errors of Information Disclosure in Annual Report”*

(25) “Measures for the Administration of Preventing Insider Dealing”*

(26) “Measures for the Management of Dealings in the Shares of the Company by Employees”

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

Implementation of inside information management system

The Administrative Measures on Preventing Insider Trading of China Shenhua brought matters such as inside information and registration and management of informed insiders into the scope of system management. During the reporting period, the Company prevented insider dealings by implementing the Administrative Measures on Preventing Insider Trading. During the reporting period, there were no cases of dealings in the shares of the Company using inside information before the disclosure of material sensitive information that could affect the share price of the Company.

1. Reminder and registration. An individual reminder is made to particular insiders before the price sensitive period of results announcement, by way of e-mails and short message service and a public reminder is made to potential insiders via the Company's internal website. The Company clarifies responsibilities of the relevant departments according to the procedures of insider information flows and business allocation, implements the registration of informed external insiders such as intermediaries and improves the control of insider dealings.

2. Voluntary disclosure. The Company disclosed the major operational data of 2013 in January 2014, the business targets and capital expenditure plan for 2014 in March 2014, the adjusted 2014 business targets and capital expenditure plan in August 2014, the major operational data of 2014 in January 2015, and the preliminary results of 2014 and the business targets and capital expenditure plan for 2015 in February 2015. The Company voluntarily discloses the monthly major operational data and business progress of major projects. The above disclosure initiatives help reduce unequal distribution of information, eliminate insider dealings and prevent unusual fluctuations of share price.

Brief information on General Meetings

Shareholders' rights

As 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. The controlling shareholder takes part in the Company's operations and decisions through shareholders' general meetings and the board of directors.

Pursuant to Articles 68 and 74 of the Articles of Association of China Shenhua, shareholders may submit written request to the board of directors for the convening of extraordinary general meetings or class meetings and submit proposals to the Company at general meetings. Upon providing the Company with written evidence of the class and number of shares of the Company held, and following 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, resolutions of meetings of the board of directors and the supervisory committee, regular reports and financial and accounting reports, etc.

The Company discloses information in strict compliance with the listing rules of its places of listing. The Company makes its investor relations hotline, fax and email available. The Company has established an effective communication channel with shareholders through an information disclosure system and an investor reception system.

Convening of General Meetings during the Reporting Period

Meetings	Date	Name of proposals	Resolutions
2013 Annual General Meeting	27 June 2014	1. "Resolution on the Report of the Board of Directors of China Shenhua Energy Company Limited for the Year 2013"	All of the resolutions proposed were passed. For index to resolution announcements, please refer to the section "Index to Information Disclosure" of this report.
		2. "Resolution on the Supervisory Committee's Report of China Shenhua Energy Company Limited for the Year 2013"	
		3. "Resolution on the 2013 Financial Report of China Shenhua Energy Company Limited"	
		4. "Resolution on the Profit Distribution of the Company for the Year 2013"	
		5. Resolution on the Remuneration of the Directors and Supervisors of the Company for the Year 2013	
		6. "Resolution on the Re-appointment of External Auditors for the Year 2014"	
		7. "Resolution on Granting a General Mandate to the Board of Directors for Issuance of Additional A shares and H shares"	
		8. "Resolution on Granting a General Mandate to the Board of Directors for Repurchase of A shares and H shares"	
		9. "Resolution on Authorising the Board of Directors to Decide on the Issuance of Debt Financing Instruments"	
2014 First Class Meeting of the Holders of A Shares	27 June 2014	"Resolution on Granting a General Mandate to the Board of Directors for Repurchase of A shares and H shares"	
2014 First Class Meeting of the Holders of H Shares	27 June 2014	"Resolution on Granting a General Mandate to the Board of Directors for Repurchase of A shares and H shares"	
2014 First Extraordinary General Meeting	22 August 2014	1. "Resolution on the Election of Executive Directors and Non-executive Directors of the Third Session of the Board of Directors of the Company"	
		2. "Resolution on the Election of Independent Non-executive Directors of the Third Session of the Board of Directors of the Company"	
		3. "Resolution on the Election of Shareholders' Representative Supervisors of the Third Session of the Supervisory Committee of the Company"	

Explanation on General Meetings: The Company accepted registration of shareholders' attendance, and gave shareholders sufficient time for consideration of proposals and for Q&A session. Shareholders actively participated in such meetings 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 Computershare Hong Kong Investor Services Limited acted as scrutineers at general meetings. The PRC legal advisor of the Company issued the legal opinion. Representatives of the auditors of the Company for 2013 were present at the Annual General Meeting and read their audit opinions.

Performance of Duties by the Board

Daily Work of the Board of Directors

1. Board Meetings

In 2014, the Board held a total of eight meetings, at which all the resolutions were passed after consideration. Details of the meetings are as follows. For index to resolution announcements, please refer to the section "Index to Information Disclosure" of this report.

No.	Name	Date	Methods
1	The 43rd meeting of the second session of the Board	28 March 2014	On-site and by written resolution
2	The 44th meeting of the second session of the Board	25 April 2014	On-site
3	The 45th meeting of the second session of the Board	27 June 2014	On-site
4	The 46th meeting of the second session of the Board	22 August 2014	On-site and by written resolution
5	The 1st meeting of the third session of the Board	22 August 2014	On-site and by written resolution
6	The 2nd meeting of the third session of the Board	22 August 2014	On-site and by written resolution
7	The 3rd meeting of the third session of the Board	24 October 2014	On-site
8	The 4th meeting of the third session of the Board	26 December 2014	On-site

2. Implementation of resolutions passed at the general meetings by the Board

No.	General Meeting	Subject Matter	Status
1	2013 Annual General Meeting	To approve the profit distribution plan of the Company for the year 2013 and authorize a committee comprising of Zhang Yuzhuo and Ling Wen, both being directors of the Company, to implement the profit distribution.	Implementation of 2013 profit distribution plan was completed in the third quarter of 2014.
2	2013 Annual General Meeting	To approve the appointment of external auditors for the year 2014 and authorize a committee comprising of Zhang Yuzhuo, Ling Wen and Gong Huazhang, all being directors of the Company, to determine the remuneration of the auditors.	For details of the appointment and remuneration of auditors for the year 2014, please refer to the section"Significant Events" of this report.
3	2013 Annual General Meeting	To approve a general mandate 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 during the reporting period.
4	2013 Annual General Meeting, the 2014 first class meeting of the holders of A shares, and the first class meeting of the holders of H shares	To approve a general mandate 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 during the reporting period.
5	2013 Annual General Meeting	To approve the mandate to the board of directors of the Company to determine the proposed issue of debt financing instruments of the Company within the limit of issuance; to delegate the mandate to Dr. Ling Wen, an executive director of the Company, and Dr. Zhang Kehui, Chief Financial Officer, within the scope of this mandate for determining other matters related to such issuance and implementing specific measures upon determining the type, principal, term and use of proceeds of each issuance of the debt financing instruments by the board of directors of the Company.	In accordance with the mandate, the Company issued super short-term financial debentures and medium-term notes for several times, and approved the issuance of bonds not exceeding USD1.5 billion.

Attendance of directors at Board meetings and general meetings as at the end of the reporting period

Name of director	Independent director	Attendance at Board meetings						Attendance at general meetings
		Required attendance at Board meetings in the term of office this year	Attendance in Person	Attendance by written resolution	Attendance by proxy	Absence	Absent at two meetings in a row	Actual/require attendance at general meetings in the term of office this year
Zhang Yuzhuo	No	8	8	3	0	0	No	3/4
Ling Wen	No	8	8	0	0	0	No	4/4
Han Jianguo	No	8	8	0	0	0	No	4/4
Wang Xiaolin	No	4	4	0	0	0	No	0/0
Fan Hsu Lai Tai	Yes	8	8	0	0	0	No	1/4
Gong Huazhang	Yes	8	8	0	0	0	No	4/4
Guo Peizhang	Yes	8	8	0	0	0	No	4/4
Chen Hongsheng	No	8	8	0	0	0	No	4/4

Number of board meetings held during the year	8
Of which: Number of meetings held on-site	4
Number of meetings held by written resolution	0
Number of meetings held on-site and by written resolution	4

Performance of duties by Independent Directors

1. Basic Information on Independent Directors of the Company

During the reporting period, the Company had three independent non-executive directors, of whom Mr. Gong Huazhang is an accounting professional. The Company has received written confirmations from each of the independent non-executive directors confirming their independence. The Company is of the view that all of the independent non-executive directors are independent. The number and background of the independent directors are in compliance with the requirements of the listing rules of the places of listing. The three existing independent non-executive directors have served the Company continuously for a term of less than six years.

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 procedure and the Independent Directors System 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 reports of the Company. Therefore the independent directors of the Company played an important role in the regulated operation of the Company and protected the legitimate interests of minority shareholders.

The Company ensured that proper conditions are in place for independent directors to perform their duties. The Company formulated the Independent Directors System to provide, in a systematic way, guarantee for the independent directors to perform their duties, and designated departments to undertake work related to independent directors' affairs and independent board committee, assisting the independent directors in conducting research and investigation, convening meetings and expressing independent opinions.

For the attendance of independent directors at Board meetings and general meetings, please refer to the sections on the attendance at Board meetings and general meetings of the Company.

2. Opinions of independent directors during the reporting period

No.	Date	Occasion	Details of the Opinion of Independent Directors
1	28 March 2014	The 43rd meeting of the second session of the Board	1. Approval of the 2013 financial report and internal control report of the Company;
			2. Approval of the 2013 Profit Distribution Plan of the Company;
			3. Approval of the remuneration of directors, supervisors and senior management for 2013;
			4. Approval of the re-appointment of external auditors of the year 2014;
			5. Approval of conducting thermal coal futures business;
			6. The Company will keep its concern on the current guaranteed matters, so as to protect the interests of the Company and all shareholders.
2	25 April 2014	The 44th meeting of the second session of the Board	Approval of the provisional use of proceeds as working capital
3	27 June 2014	The 45th meeting of the second session of the Board	1. Approval of the appointment of the Chairman of the second session of the Board;
			2. Approval of the appointment of the Vice Chairman of the second session of the Board;
			3. Approval of the appointment of the president of the company;
			4. Approval of the appointment of the Directors of the third session of the Board;
4	22 August 2014	The 1st meeting of the third session of the Board	1. Approval of the appointment of the Chairman of the third session of the Board;
			2. Approval of the appointment of the Vice Chairman of the third session of the Board;
5	24 October 2014	The 3rd meeting of the third session of the Board	Approval of the adoption of new and amended accounting standard

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 on matters of the Company.

Performance of duties by the special committees under the Board and important opinions and suggestions raised in the performance of duties during the reporting period

The Company has established five special committees under the Board, and the details are as follows:

Board Committee	The second session		The third session	
	Chairman	Members	Chairman	Members
Strategy Committee	Zhang Xiwu	Zhang Xiwu, Zhang Yuzhuo, Ling Wen	Zhang Yuzhuo	Zhang Yuzhuo, Ling Wen, Han Jianguo
Audit Committee	Gong Huazhang	Gong Huazhang, Guo Peizhang, Chen Hongsheng	Gong Huazhang	Gong Huazhang, Guo Peizhang, Chen Hongsheng, Fan Hsu Lai Tai
Remuneration Committee	Fan Hsu Lai Tai	Fang Hsu Lai Tai, Gong Huazhang, Kong Dong	Fan Hsu Lai Tai	Fan Hsu Lai Tai, Gong Huazhang
Nomination Committee	Guo Peizhang	Guo Peizhang, Zhang Xiwu, Fan Hsu Lai Tai	Guo Peizhang	Guo Peizhang, Zhang Yuzhuo, Fan Hsu Lai Tai
Safety, Health and Environment Committee	Guo Peizhang	Guo Peizhang, Zhang Yuzhuo, Ling Wen, Han Jianguo	Guo Peizhang	Guo Peizhang, Ling Wen, Han Jianguo, Wang Xiaolin

Strategy Committee

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

In 2014, the Strategy Committee held two meetings to consider and approve various proposals, including the proposals regarding the amendment to the capital expenditure plan of the Company for 2014 and the capital expenditure plan for 2015. All members of the Committee attended all meetings in person. The details of the meetings are as follows:

No.	Meeting	Date	Method	Attendee	Subject matter
1	The seventh meeting of the Strategy Committee of the second session of the Board	21 August 2014	Written resolution	All members	To consider the "Resolution on Amendment to the Capital Expenditure Plan of China Shenhua for the Year 2014"
2	The first meeting of the Strategy Committee of the third session of the Board	25 December 2014	Written resolution	All members	To consider the "Resolution on the Capital Expenditure Plan of China Shenhua for the Year 2015"

Note: All resolutions of the meetings were passed.

Audit Committee

During the reporting period, the Audit Committee carried out its duties strictly in accordance with the "Rules of Procedure of Meetings of the Audit Committee of the Board of Directors", "Rules on Work of the Audit Committee of the Board of Directors" and "Rules on Work of Annual Reports of the Audit Committee of the Board of Directors" of China Shenhua. As at the end of the reporting period, the principal duties of the Audit Committee were:

(1) to supervise and assess the work of the external audit institutions, which includes, to review and monitor the external auditor's independence, objectivity and professionalism, and the effectiveness of audit procedures under applicable standards; to supervise and evaluate whether the external audit institutions fulfill their duties diligently; whether the non-auditing services provided by the external audit institutions will affect their independence; to formulate and implement policies on the appointment of an external auditor to provide non-auditing services; to review the audit fee and appointment terms of external audit institutions; to discuss with the external auditor the nature and scope of the audit and relevant reporting obligations before the audit commences; to discuss and communicate on the audit scope, audit plan, audit method, and any material matters identified in the audit process, and consider and approve the external audit (review) plan; to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of appointment of the external auditor, and handle any questions of resignation or dismissal of that auditor; and to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of control and management's response.

(2) to guide the internal audit work, which includes, to supervise the appointment and dismissal of the head of internal audit function and make relevant recommendations; to supervise the internal audit system of the Company and its implementation; to review the annual internal audit plan of the Company; to supervise the implementation of the internal audit plan; to review the internal audit

reports, evaluate the results of internal audit and supervise the rectification of material matters; to guide the effective operation of internal audit department, and to review and monitor the effectiveness of the internal audit function; to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company; and to review various audit reports, rectification plans and rectification progress related to audit matters submitted by the internal audit department of the Company to the management.

(3) to review and provide opinions on the financial reports of the Company, which includes, to review the Company's financial information and its disclosure, review the quarterly, interim and annual financial statements before submitting to the Board, and provide opinions on the truthfulness, completeness and accuracy of the Company's financial reports; to focus on significant accounting and audit matters of the Company's financial reporting, including adjustments to material accounting errors, changes in significant accounting policies and estimates, issues involving significant accounting judgments, and items resulting in a failure to receive standard unqualified opinion audit reports; to pay attention to the possibilities of fraud, corruption practice and material misstatements relating to financial reporting; to supervise the rectification of financial reporting matters; to communicate with the Board, President and other senior management of the Company and its qualified accountant to consider any significant or unusual items that are, or may need to be, reflected in reports and accounts and give due consideration to any matters that have been raised by the Company's qualified accountant, compliance chief or external auditors; and to review the Company's financial and accounting policies and practices.

(4) to evaluate the effectiveness of internal control, which includes, to evaluate the adequacy of the Company's internal control system; to review the self-evaluation reports of internal control; to review the internal control audit reports issued by the external audit institutions, as well as the matters and improvement measures formulated after communication with the external audit institutions; to evaluate the internal control assessment and audit results, and to supervise the rectification of deficiencies in internal control; to review and examine the Company's internal control mechanism; to discuss with the management the internal control system and ensure that the management has discharged its duty to establish an effective internal control system; to study any findings of major investigations of internal control matters on its own initiative or as delegated by the Board and the management's response.

(5) to coordinate communications between the management, internal audit department and relevant departments, and the external audit institutions, which include, to coordinate communications between the management and the external audit institutions on material audit matters; to coordinate communications between the internal audit department and the external audit institutions and accommodation provided by the internal audit department for the external audit; to ensure that the Board will provide a timely response to the issues raised in the "Letter to the Management for Reporting the Status of the Audit" submitted by the external auditors to the management.

(6) other duties authorized by the Board and other issues related to relevant laws and regulations.

In 2014, the Audit Committee held nine meetings to review and examine various resolutions, including the financial statements prepared by the Financial Department and the internal control report of the Company. Suggestions were made on improving the limit management and risk prevention for the futures business, the proper handling of the increase in accounts receivable and the material trading. All members of the Committee attended all meetings in person. The details of the meetings are as follows:

No.	Meeting	Date	Method	Attendee	Subject matter
1	The 36th meeting of the Audit Committee of the second session of the Board	5 March 2014	Written resolution	All members	1. To consider the "Resolution on the 2013 Assessment Report on the Internal Control of China Shenhua (Draft)" 2. To consider the "Resolution on Financial Report of China Shenhua for the Year 2013 (Draft)"
2	The 37th meeting of the Audit Committee of the second session of the Board	14 March 2014	On-site	All members	1. To receive the audit report submitted by the auditor – Deloitte 2. To receive the report on the accounting policies, the preparation of the financial statements and the financial position in 2013 submitted by the Financial Department 3. To consider the "Resolution on the Audited Financial Report of China Shenhua for the Year 2013" 4. To consider the "Resolution on the Profit Distribution Plan of China Shenhua for 2013" 5. To consider the "Resolution on the Special Report on Deposit and Actual Use of Proceeds of China Shenhua" 6. To consider the "Resolution on the Amendment to the Rules on the Management of the Use of Proceeds of China Shenhua" 7. To consider the "Resolution on the 2013 Assessment Report on the Internal Control of China Shenhua" 8. To consider the "Resolution on the 2013 Audit Report on the Internal Control of China Shenhua" 9. To consider the "Resolution on the Amendment to the Rules of Procedure of Meetings of the Audit Committee of the Board of Directors of China Shenhua" 10. To consider the "Resolution on the Amendment to the Rules on Work of the Audit Committee of the Board of Directors of the Board of Directors of China Shenhua" 11. To consider the "Resolution on the Highlight of the Audit on Internal Control of China Shenhua in 2014" 12. To consider the "Resolution on the Audit Report on Internal Control of China Shenhua in 2013" 13. To consider the "Resolution on the Summary Report on the Performance of Duties by the Audit Committee of the Board for the Year 2013" 14. To consider the "Resolution on the 2013 CSR Report of China Shenhua" 15. To consider the "Resolution on Granting a General Mandate to the Board of Directors for Issuance of A shares and H shares" 16. To consider the "Resolution on Granting a General Mandate to the Board of Directors for Repurchase of A shares and H shares" 17. Private Discussion with the Auditor – Deloitte

No.	Meeting	Date	Method	Attendee	Subject matter
3	The 38th meeting of the Audit Committee of the second session of the Board	19 March 2014	Written resolution	All members	To consider the "Resolution on the Proposed Granting of Authority from the General Meeting to the Board for the Issuance of Debt Financing Instruments"
4	The 39th meeting of the Audit Committee of the second session of the Board	21 April 2014	On-site	All members	1. To consider the "Resolution on the First Quarterly Financial Statements (Unaudited) of China Shenhua for the Year 2014" 2. To consider the "Resolution on the Provisional Use of Proceeds to Replenish the Working Capital" 3. To consider the "Resolution on the Increase in Limits and Categories of Debt Financing Instruments to be Issued"
5	The 40th meeting of the Audit Committee of the second session of the Board	16 June 2014	Written resolution	All members	To consider the "Resolution on the Interim Review Plan of China Shenhua for the Year 2014"
6	The 41st meeting of the Audit Committee of the second session of the Board	18 August 2014	On-site	All members	1. To receive the interim review progress report submitted by the auditor – Deloitte 2. To consider the "Resolution on the 2014 Interim Financial Report of the Company" 3. To consider the "Resolution on the Special Report on Deposit and Actual Use of Proceeds Raised by China Shenhua" 4. To consider the "Resolution on the Adjustments to the 2014 Operating Plan of China Shenhua"
7	The first meeting of the Audit Committee of the third session of the Board	17 October 2014	On-site	All members	1. To consider the "Resolution on the 2014 Third Quarterly Financial Report (A Shares, H Shares) of China Shenhua" 2. To consider the "Resolution on the Implementation of Newly Promulgated and Revised Accounting Standards of China Shenhua"
8	The second meeting of the Audit Committee of the third session of the Board	20 November 2014	Written resolution	All members	1. To consider the "Resolution on the Work Plan for the 2014 Assessment Report on the Internal Control of China Shenhua" 2. To consider the "Resolution on the Audit Proposal of China Shenhua for the Year 2014"
9	The third meeting of the Audit Committee of the third session of the Board	25 December 2014	Written resolution	All members	1. To consider the "Resolution on the Operating Plan of China Shenhua for the Year 2015" 2. To consider the "Resolution on the Proposal for Debt Financing of China Shenhua for the Year 2015" 3. To consider the "Resolution on the Formulation of the Administrative Method for Financial Revenue and Expenditure Auditing for China Shenhua" 4. To consider the "Resolution on the Overseas Issuance of USD Denominated Bonds of China Shenhua" 5. To consider the "Resolution on the Establishment of Financial Leasing Company"

Note: All resolutions of the meetings were passed.

The Audit Committee has performed necessary procedures for the preparation of the 2014 annual report of the Company:

1. Before the accounting firms for 2014, namely Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu ("Deloitte"), proceeded with on-site auditing, the Audit Committee had consulted with Deloitte to determine the timing of the Company's 2014 audit. On 20 November 2014, the Audit Committee reviewed the Company's plans for the audit and internal control inspection and assessment for 2014.

2. After Deloitte had issued its preliminary audit opinions, the Audit Committee reviewed the draft financial statements for 2014. On 26 February 2015, the Audit Committee reviewed the 2014 Assessment Report on Internal Control (Draft) and 2014 Financial Statements (Draft) of China Shenhua prepared by the Company.

3. The Audit Committee received briefings by the management to understand the overall operation of the Company during the reporting period. On 11 March 2015, the Audit Committee received a briefing given by Dr. Zhang Kehui, the Chief Financial Officer of the Company, on the accounting policies and the preparation of the financial statements.

4. Deloitte completed all audit procedures within the agreed time and intended to issue a standard unqualified audit report for 2014 to the Audit Committee. On 11 March 2015, the Audit Committee voted on the audited financial statements, the assessment report on internal control and the corporate social responsibility report for the year 2014 and agreed to submit such reports to the Board for consideration.

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

Remuneration Committee

The main duties of the Remuneration Committee are to make recommendations to the Board on formulation of the remuneration plan or proposal for directors, supervisors, the president and other senior management, including but not limited to the criteria, procedures and the major systems of performance assessment, key incentive and punishment plans and systems; to 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 to supervise the implementation of the remuneration system of the Company. The Remuneration Committee is delegated by the Board to determine the specific remuneration package, including 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 senior management, to ensure that none of the directors or any of their associates can determine their own remuneration; and to carry out other matters as authorised by the Board.

In 2014, the Remuneration Committee held two meetings to consider and approve the resolutions on remuneration packages of directors, supervisors and senior management in 2013. All members attended all of the meetings in person. The details of the meetings are as follows:

No.	Meeting	Date	Method	Attendee	Subject matter
1	The eighth meeting of the Remuneration Committee of the second session of the Board	17 March 2014	Written resolution	All members	1. To consider the "Resolution on the Remuneration of the Directors and Supervisors of China Shenhua for the Year 2013" 2. To consider the "Resolution on the Remuneration of the Senior Management of China Shenhua for the Year 2013" 3. To consider the "Resolution on the performance of duties by the Remuneration Committee of China Shenhua"
2	The first meeting of the Remuneration Committee of the third session of the Board	25 December 2014	Written resolution	All members	To consider the "Resolution on the Proposed Value of Assessment Indicators for the Management of China Shenhua in respect of the 2015 Operating Results"

Note: All resolutions of the meetings were passed.

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 to the remuneration management systems of the Company.

Nomination Committee

The main duties of the Nomination Committee are to formulate the Board Diversity Policy, regularly review the structure, size and diversity of the Board (including but not limited to gender, age, cultural and educational background, race, skills, knowledge and professional experience), 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 according to the corporate strategy and skills, knowledge, experience and diversity that may be needed in the future of the Company; take into account the strengths of relevant candidates and fully consider the benefits of Board diversity in an objective manner to 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 talents according to the corporate strategy and skills, knowledge, experience and diversity that may be needed in the future of the Company; review the Board Diversity Policy where appropriate, and review the quantitative objectives set up by the Board to implement the Board Diversity Policy and their progress of achievement, as well as disclose the results of review in the Corporate Governance Report annually; and carry out any other matters as authorised by the Board.

In 2014, the Nomination Committee held two meetings to nominate candidates for the new session of the Board of the Company, and considered and approved resolutions including the candidates for the new president. All members attended the meeting in person. The details of the meetings are as follows:

No.	Meeting	Date	Method	Attendee	Subject matter
1	The sixth meeting of the Nomination Committee of the second session of the Board	26 June 2014	Written resolution	All members	1. To consider the "Resolution on Candidates for the President" 2. To consider the "Resolution on Members of the Third Session of the Board"
2	The first meeting of the Nomination Committee of the third session of the Board	22 August 2014	On-site	All members	1. To consider the "Resolution on the Nomination of Candidates for Members of Various Committees of the Third Session of the Board to the Board of the Company" 2. To consider the "Resolution on the Amendment of Rules of Procedure of Meetings of the Nomination Committee of the Board"

Note: All resolutions of the meetings were passed.

Safety, Health and Environment Committee

The principal duties of the Safety, Health and Environment Committee are to supervise the implementation of health, safety and environmental protection plans of the Company; make recommendations to the Board or the president on material issues in respect of health, safety and environmental protection of the Company; 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 authorised by the Board.

In 2014, the Safety, Health and Environment Committee held one meeting to consider and approve the 2013 CSR Report of the Company. All members attended the meeting in person. The details of the meeting are as follows:

No.	Meeting	Date	Method	Attendee	Subject matter
1	The sixth meeting of the Safety, Health and Environment Committee of the second session of the Board	27 March 2014	Written resolution	All members	To consider the "Resolution on the 2013 CSR Report of China Shenhua"

Note: The resolution of the meeting was passed.

Operation of the Supervisory Committee

Please refer to the Supervisory Committee's Report for more information.

The Risks in the Company Identified by the Supervisory Committee

During the reporting period, all members of the Supervisory Committee of the Company had, based on the attitude of being responsible to all shareholders, performed their supervisory duties faithfully and carried out their work proactively and effectively. No material risks of the Company were identified.

Independence of China Shenhua

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 measure for the prevention of competition, the Company was entrusted by Shenhua Group Corporation upon the completion of relevant procedures to provide daily operation management services for existing assets and businesses of Shenhua Group. As at the end of the reporting period, the Company engaged seven deputy general managers of Shenhua Group Corporation as president and senior vice presidents of the Company.

While preserving the independent and complete business system and the market-oriented self-operation capability, the Company will further regulate related party transactions, minimize possible competition and strive to maximize the interest of the shareholders.

Non-competition

The Company is principally engaged in the production and sale of coal, coal-to-olefins chemical processing, generation and sale of electricity and thermal power, as well as railway, port and shipping transportation.

Currently, the major coal, power and olefins products produced by enterprises such as Shenhua Ningxia Coal Co., Ltd. and Shenhua Guoneng Group Company Limited which are the existing and continuing assets of Shenhua Group Corporation, the controlling shareholder of the Company, are similar to those produced by the Company in terms of type and quality, but each company also has its relatively independent regional markets.

The Company and Shenhua Group Corporation entered into a "Non-competition Agreement" in 2005. Pursuant to the agreement, Shenhua Group 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 any potential competing business. In order to minimise any potential competition between the coal sales of Xisanju Coal Mines and that of the Company, the Company and Shenhua Group Corporation entered into a Coal Agency Sales Agreement regarding Xisanju Coal Mines.

In 2014, Shenhua Group Corporation strictly abided by its undertakings, and there was no violation of such undertakings. On 28 June 2014, China Shenhua disclosed the Announcement on the Performance of Non-competition Undertaking: China Shenhua will commence the acquisition of 14 assets of Shenhua Group and its subsidiaries before 30 June 2019 (submitting the asset acquisition proposal to the internal competent authorities of China Shenhua for approval procedure). On 22 August 2014, the Company commenced the acquisition of the equity interests of several power companies controlled by Shenhua Group Corporation. Target assets mainly included clean coal-fired generators equipped with "ultra-low emission" technology and with high capacity.

Establishment and Implementation of the Examination and Evaluation Mechanism and the Incentive Mechanism for the Senior Management

The Company established the remuneration package of the senior management in accordance with the "Provisional Measures for the Administration of the Annual Remuneration of the Senior Management of China Shenhua Energy Company Limited". 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 of directors and the 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". In addition to the basic salary, the board of directors of the Company conducts appraisal based on the performance of the 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.

Section X Supervisory Committee's Report

All members of the Supervisory Committee of the Company had, based on the attitude of being responsible to all shareholders, performed their supervisory duties faithfully and carried out their work proactively and effectively to protect the lawful interests of the Company and its shareholders in accordance with the relevant requirements under the "Company Law of the People's 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 attended all meetings of the board of directors, conducted strict supervisions and examinations on the lawful operations, financial position and the performance of duties of the board of directors and the management of the Company.

In 2014, the Supervisory Committee held six meetings in total.

Meeting	Date	Venue	Method of Meeting	Attendance of supervisors	Subject matter	Voting results
The 20th meeting of the second session of the Supervisory Committee	28 March	Beijing	On-site	All	1. Resolution on the 2013 annual report of the Company 2. Resolution on the 2013 CSR report of the Company 3. Resolution on the 2013 financial report of the Company 4. Resolution on the 2013 profit distribution plan of the Company 5. Resolution on the "Special Report on Deposit and Actual Use of the Proceeds of the Company" 6. Resolution on the "2013 Assessment Report on Internal Control of the Company" 7. Resolution on the Supervisory Committee's report of the Company for the year 2013	Approved Unanimously
The 21st meeting of the second session of the Supervisory Committee	25 April	Beijing	On-site	All	1. Resolution on the 2014 first quarterly report of the Company 2. Resolution on the provisional use of raised funds as working capital	Approved Unanimously
The 22nd meeting of the second session of the Supervisory Committee	27 June	Beijing	On-site	All	1. Resolution on the determining of the candidates for the shareholder representative supervisors of the third session of the supervisory committee	Approved Unanimously
The 23rd meeting of the second session of the Supervisory Committee	22 August	Beijing	On-site	All	1. Resolution on the 2014 interim report of the Company 2. Resolution on the 2014 interim financial report of the Company 3. Resolution on the "Special Report on Deposit and Actual Use of the Proceeds of the Company"	Approved Unanimously
The 1st meeting of the third session of the Supervisory Committee	22 August	Beijing	On-site	All	1. Resolution on the election of the chairman of the Supervisory Committee of the Company	Approved Unanimously
The 2nd meeting of the third session of the Supervisory Committee	24 October	Beijing	On-site	All	1. Resolution on the 2014 third quarterly report of the Company 2. Resolution on the implementation of the new and revised accounting standards of China Shenhua	Approved Unanimously

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

The Supervisory Committee is of the opinion that the board of directors and the management of the Company have acted in strict accordance with the Company Law, the Securities Law, the Articles of Association and the relevant regulations of the jurisdiction where the Company is listed, performed their duties with integrity and diligence and conscientiously 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 board of directors and the 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 apart from the change of use of a portion of proceeds by the Company after performing relevant procedures, the actual use of proceeds 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, no significant assets were acquired or disposed by 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 statutory decision making procedures, the connected transactions carried out are in accordance with the requirements of the Listing Rules, and the disclosure of information is standardized and transparent. The Supervisory Committee is not aware of any act prejudicial to the interest 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 review 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 and management is sound and effective and is able to keep all insider information confidential.

The Supervisory Committee will continue to perform its duties with due care to facilitate the standardized operation of the Company and to protect the lawful interests of the Company and its shareholders in strict compliance with the Company Law, the Articles of Association and the relevant laws and regulations of the PRC.

Section XI　Internal Control

Responsibility statement of internal control and the establishment of internal control system

The board of directors of the Company is responsible for the establishment, improvement and effective implementation of internal control, evaluating the effectiveness of internal control and disclosing the evaluation report of internal control truthfully. The Supervisory Committee monitors the board of directors 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 assets are safe, financial reports and relevant information are true and complete, increasing operating efficiency and results, and facilitating the achievement of development strategies. Only reasonable assurance can be provided for the above objectives due to the inherent limitations of internal control. Besides, as changing circumstances may render the internal control inappropriate or the level of compliance with the control policy and procedure lowered, there may be certain risks when predicting the effectiveness of future internal control by referring to the result of the internal control evaluation.

According to the 2014 Assessment Report on Internal Control prepared by the board of directors of the Company: based on the identification criteria of material deficiencies in internal control of the Company's financial reporting, there were no material deficiencies in internal control over financial reporting at the base date of the Assessment Report on Internal Control. The board of directors is of the view that the Company has maintained effective internal control over its financial reporting in all material aspects in accordance with the requirements of the Basic Standard for Enterprise Internal Control and its supplementary guidelines as well as other regulatory requirements on internal control. Based on the identification of material deficiencies in internal control over the Company's non-financial reporting, no material deficiencies in internal control over non-financial reporting were identified at the base date of the Assessment Report on Internal Control. Nothing that would affect the evaluation result of the effectiveness of internal control occurred from the base date of the Assessment Report on Internal Control to the date of issuance of the Assessment Report on Internal Control. Please refer to Chapter 9 headed "Corporate Governance Report" of this report and the 2014 Assessment Report on Internal Control for the establishment of a sound internal control system.

Disclose the Self-assessment Report on Internal Control or not: Yes

Explanation on the Audit Report on Internal Control

Deloitte Touche Tohmatsu Certified Public Accountants LLP, engaged by the Company, has issued the standard unqualified Audit Report on Internal Control. The Audit Report on Internal Control is of the opinion that as at 31 December 2014, China Shenhua had maintained effective internal control over its financial reporting in all material aspects in accordance with the "Basic Standard for Enterprise Internal Control" and the relevant requirements.

Please refer to the relevant announcement disclosed by the Company on the website of Shanghai Stock Exchange on 21 March 2015 for the 2014 Assessment Report on Internal Control and Audit Report on Internal Control.

Disclose the Audit Report on Internal Control or not: Yes.

The Accountability System for Material Errors in Annual Report and its implementation

The Company has formulated and disclosed the Accountability System for Material Errors of Information Disclosure in Annual Report. As of the date of this report, no material errors of information disclosure in annual report were identified.

Section XII Investor Relations

In 2014, in the face of the continued downturn in the coal industry and capital market, China Shenhua emphasized the philosophy of "professional business, systematic services and positive attitude" and communicated with investors and analysts in an extensive and candid manner via multiple channels such as results announcements and roadshows. The communications were participated by more than 850 analysts and fund managers, among which more than 200 persons were from roadshows, more than 300 persons were from investment forums and more than 350 persons were from company visits and telephone conferences.

Altering mindset and drawing market attention on the new features of the Company amidst new industry environment

Due to the transition from growth to maturity in 2014, China's coal market has entered a stage of adjustment characterized by low coal price, decreasing valuation of coal companies and dampened investor confidence. Faced with the challenging situation, the new session of the Board of China Shenhua further promoted the clean energy development strategy and corporate upgrading and transformation by adhering to integrated operation.

Guided by the new strategy, China Shenhua streamlined its investment value and drew investors' attention on the sustainable development of the Company based on the environmental concept and practice of clean coal use. The growth potential of the Company was highlighted by integrating the short-term expectation management with long-term value investment.

In response to the new industry environment and in accordance with the demands of investors, China Shenhua strengthened the communications in relation to clean thermal power and reform and transformation of the Company and emphasized its first-mover advantages in precaution and advanced technology. It also highlighted its core competencies as compared to other peer companies in combination with its traditional advantages of integrated and low-cost operation, and thus helped investors understand future areas of growth.

Segmenting investors and enhancing communications with investors

China Shenhua further strengthened the study on shareholder structure and enhanced the communication with institutional investors. To expand investor network, the management participated in various activities including result announcements, roadshows and investment forums, illustrating the growth momentum of the Company to shareholders and elaborating on the new profit growth point and the development potential of the Company. The intensive investor relation initiatives won the confidence of shareholders as well as the market recognition on the investment highlight featuring clean coal use.

Attaching importance to the interests of small and medium investors and improving service quality

The Company strictly observed regulatory requirements and continued to strengthen and improve the protection of the rights and interests of small and medium investors. To improve the relevance and effectiveness of investor relations, the Company optimized its investor reception procedures and improved the frequency and service quality of call answering and email response. The Company also tapped into online communication platforms to expand investor relations. In 2014, the Company held briefings for its first and third quarter results on the "e-SNS" channel of the Shanghai Stock Exchange.

In 2015, China Shenhua will accelerate the implementation of strategies and the progress to be a world first-class clean energy supplier with strong determination. Upholding the principles of assertiveness, transparency, compliance and integrity, the Company will strengthen interactions with the capital market, strive to enhance service quality and improve the long-term protection mechanism for the rights and interests of small and medium investors in order to achieve positive interactions between the capital market and the Company and greater value for all the investors.

Section XIII Index to Information Disclosure

No.	Event	Date of publication	Website of publication
1	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 December 2013	2014-1-2	Website of Hong Kong Stock Exchange
2	China Shenhua – Announcement Regarding the 2013 Unaudited Balance Sheet and Income Statement of Shenhua Finance Co., Ltd.	2014-1-15	Website of Shanghai Stock Exchange
3	Overseas Regulatory Announcement	2014-1-14	Website of Hong Kong Stock Exchange
4	China Shenhua – Announcement Regarding Changes in the Biography of Employees' Representative Supervisor	2014-1-16	Website of Shanghai Stock Exchange
5	Overseas Regulatory Announcement	2014-1-15	Website of Hong Kong Stock Exchange
6	Announcement on the Major Operational Data December of 2013	2014-1-21	Website of Hong Kong Stock Exchange
7	China Shenhua – Announcement on the Major Operational Data December of 2013	2014-1-22	Website of Shanghai Stock Exchange
8	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 January 2014	2014-2-3	Website of Hong Kong Stock Exchange
9	Overseas Regulatory Announcement	2014-2-14	Website of Hong Kong Stock Exchange
10	China Shenhua – Announcement on the Outstanding Commitment	2014-2-15	Website of Shanghai Stock Exchange
11	Announcement on the Major Operational Data of January 2014	2014-2-18	Website of Hong Kong Stock Exchange
12	China Shenhua – Announcement on the Major Operational Data of January 2014	2014-2-19	Website of Shanghai Stock Exchange
13	Monthly Return of Equity Issuer on Movements in Securities for the month ended 28 February 2014	2014-2-28	Website of Hong Kong Stock Exchange
14	Resignation of the Chairman of the Board and Performance of Duties of the Chairman of the Board by the Vice Chairman of the Board	2014-3-5	Website of Hong Kong Stock Exchange
15	Positions Held by Current Directors at the Board and the Board Committees	2014-3-5	Website of Hong Kong Stock Exchange
16	China Shenhua – Resignation of the Chairman of the Board and Performance of Duties of the Chairman of the Board by the Vice Chairman of the Board	2014-3-6	Website of Shanghai Stock Exchange
17	Overseas Regulatory Announcement	2014-3-11	Website of Hong Kong Stock Exchange
18	China Shenhua – Announcement Regarding the Result of the Issuance of the First Tranche of Super Short-term Debentures in 2014	2014-3-12	Website of Shanghai Stock Exchange
19	Overseas Regulatory Announcement	2014-3-12	Website of Hong Kong Stock Exchange
20	China Shenhua – Announcement Regarding the Result of the Issuance of the Second Tranche of Super Short-term Debentures in 2014	2014-3-13	Website of Shanghai Stock Exchange

No.	Event	Date of publication	Website of publication
21	China Shenhua – Announcement Regarding the Approval of Phase IV Project of Huanghua Port	2014-3-13	Website of Shanghai Stock Exchange
22	Announcement on the Major Operational Data of February 2014	2014-3-14	Website of Hong Kong Stock Exchange
23	China Shenhua – Announcement on the Major Operational Data of February 2014	2014-3-15	Website of Shanghai Stock Exchange
24	Notice of Board Meeting	2014-3-18	Website of Hong Kong Stock Exchange
25	Overseas Regulatory Announcement	2014-3-26	Website of Hong Kong Stock Exchange
26	China Shenhua – Announcement on Progress of the Outstanding Commitment	2014-3-27	Website of Shanghai Stock Exchange
27	Overseas Regulatory Announcement	2014-3-28	Website of Hong Kong Stock Exchange
28	Overseas Regulatory Announcement	2014-3-28	Website of Hong Kong Stock Exchange
29	Overseas Regulatory Announcement (2013 Annual Report)	2014-3-28	Website of Hong Kong Stock Exchange
30	Overseas Regulatory Announcement (2013 CSR Report)	2014-3-28	Website of Hong Kong Stock Exchange
31	Rules of Procedures of Meetings of the Audit Committee of the Board of Directors	2014-3-28	Website of Hong Kong Stock Exchange
32	Announcement of Annual Results for the Year Ended 31 December 2013	2014-3-28	Website of Hong Kong Stock Exchange
33	China Shenhua – 2013 Annual Report	2014-3-29	Website of Shanghai Stock Exchange
34	China Shenhua – 2013 Summary Annual Report	2014-3-29	Website of Shanghai Stock Exchange
35	China Shenhua – Audit Report on Internal Control	2014-3-29	Website of Shanghai Stock Exchange
36	China Shenhua – Measures on the Use of Proceeds	2014-3-29	Website of Shanghai Stock Exchange
37	China Shenhua – 2013 CSR Report	2014-3-29	Website of Shanghai Stock Exchange
38	China Shenhua – Rules on Work of the Audit Committee of the Board of Directors	2014-3-29	Website of Shanghai Stock Exchange
39	China Shenhua – Rules of Procedure of Meetings of the Audit Committee of the Board of Directors	2014-3-29	Website of Shanghai Stock Exchange
40	China Shenhua – 2013 Annual Financial Statement and Audit Report	2014-3-29	Website of Shanghai Stock Exchange
41	China Shenhua – Special Report and Audit Report on Deposit and Actual Use of Proceeds for 2013	2014-3-29	Website of Shanghai Stock Exchange
42	China Shenhua – Special Audit Report on Deposit and Actual Use of Proceeds for 2013	2014-3-29	Website of Shanghai Stock Exchange
43	China Shenhua – Report on the Performance of Duties by the Audit Committee of the 2nd Session of the Board for 2013	2014-3-29	Website of Shanghai Stock Exchange
44	China Shenhua – Special Explanation and Independent Opinion on the Company's External Guarantee by Independent Non-executive Directors	2014-3-29	Website of Shanghai Stock Exchange

No.	Event	Date of publication	Website of publication
45	China Shenhua – Special Explanation Regarding the Appropriation of Capital by the Controlling Shareholder and Other Related Parties for 2013	2014-3-29	Website of Shanghai Stock Exchange
46	China Shenhua – Work Report of the Independent Directors for the Year 2013	2014-3-29	Website of Shanghai Stock Exchange
47	China Shenhua – Announcement on Resolutions of the 43rd Meeting of the 2nd Session of the Board of Directors	2014-3-29	Website of Shanghai Stock Exchange
48	China Shenhua – Announcement on Resolutions of the 20th Meeting of the 2nd Session of the Supervisory Committee	2014-3-29	Website of Shanghai Stock Exchange
49	China Shenhua – Announcement on Conducting Thermal Coal Futures Hedging Business	2014-3-29	Website of Shanghai Stock Exchange
50	China Shenhua – Special Report on Deposit and Actual Use of Proceeds for 2013	2014-3-29	Website of Shanghai Stock Exchange
51	China Shenhua – 2013 Assessment Report on Internal Control	2014-3-29	Website of Shanghai Stock Exchange
52	2013 Annual Report	2014-3-30	Website of Hong Kong Stock Exchange
53	2013 CSR Report	2014-3-30	Website of Hong Kong Stock Exchange
54	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 March 2014	2014-3-31	Website of Hong Kong Stock Exchange
55	Overseas Regulatory Announcement	2014-4-8	Website of Hong Kong Stock Exchange
56	China Shenhua – Announcement on Freight Rates of Baoshen Railway and Zhunchi Railway	2014-4-9	Website of Shanghai Stock Exchange
57	Overseas Regulatory Announcement	2014-4-9	Website of Hong Kong Stock Exchange
58	Establishment of a Joint Venture for the Construction of a Railway Project at Sino-Mongolian Border Crossing	2014-4-9	Website of Hong Kong Stock Exchange
59	China Shenhua – Announcement Regarding Establishment of a Joint Venture for the Construction of a Railway Project at Sino-Mongolian Border Crossing	2014-4-10	Website of Shanghai Stock Exchange
60	Notification Letter and Request Form to Registered Holder	2014-4-10	Website of Hong Kong Stock Exchange
61	Notification Letter and Request Form to Non-registered Holder	2014-4-10	Website of Hong Kong Stock Exchange
62	Overseas Regulatory Announcement	2014-4-11	Website of Hong Kong Stock Exchange
63	China Shenhua – Announcement on Repayment of Idle Proceeds Used for Temporary Replenishment of Current Capital upon Expiration	2014-4-12	Website of Shanghai Stock Exchange
64	Notice of Board Meeting	2014-4-15	Website of Hong Kong Stock Exchange
65	Announcement on the Major Operational Data of March 2014	2014-4-15	Website of Hong Kong Stock Exchange
66	China Shenhua – Announcement on the Major Operational Data of March 2014	2014-4-16	Website of Shanghai Stock Exchange
67	Overseas Regulatory Announcement	2014-4-24	Website of Hong Kong Stock Exchange
68	China Shenhua – Announcement on Progress of the Outstanding Commitment	2014-4-25	Website of Shanghai Stock Exchange

No.	Event	Date of publication	Website of publication
69	First Quarterly Report for the Year 2014	2014-4-25	Website of Hong Kong Stock Exchange
70	Overseas Regulatory Announcement	2014-4-25	Website of Hong Kong Stock Exchange
71	Overseas Regulatory Announcement	2014-4-25	Website of Hong Kong Stock Exchange
72	China Shenhua – First Quarterly Report for the Year 2014	2014-4-26	Website of Shanghai Stock Exchange
73	China Shenhua – Announcement Regarding Online Discussion Forum for Investors	2014-4-26	Website of Shanghai Stock Exchange
74	China Shenhua – Announcement on Resolutions of the 44th Meeting of the 2nd Session of the Board of Directors	2014-4-26	Website of Shanghai Stock Exchange
75	China Shenhua – Announcement on Resolutions of the 21st Meeting of the 2nd Session of the Supervisory Committee	2014-4-26	Website of Shanghai Stock Exchange
76	China Shenhua – Audit Opinion from China International Capital Corporation Limited and China Galaxy Securities Co., Ltd. in Relation to the Idle Proceeds Used for Temporary Replenishment of Current Capital by China Shenhua Energy Company Limited	2014-4-26	Website of Shanghai Stock Exchange
77	China Shenhua – Announcement on Idle Proceeds Used for Temporary Replenishment of Current Capital	2014-4-26	Website of Shanghai Stock Exchange
78	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 April 2014	2014-4-30	Website of Hong Kong Stock Exchange
79	Notice of Annual General Meeting	2014-5-11	Website of Hong Kong Stock Exchange
80	Overseas Regulatory Announcement	2014-5-11	Website of Hong Kong Stock Exchange
81	Notification Letter and Request Form to Registered Holder	2014-5-11	Website of Hong Kong Stock Exchange
82	Notification Letter and Request Form to Non-registered Holder	2014-5-11	Website of Hong Kong Stock Exchange
83	Reply Slip Annual General Meeting	2014-5-11	Website of Hong Kong Stock Exchange
84	Form of Proxy for Annual General Meeting	2014-5-11	Website of Hong Kong Stock Exchange
85	Reply Slip 2014 First Class Meeting of the Holders of H Shares	2014-5-11	Website of Hong Kong Stock Exchange
86	Form of proxy for 2014 First Class Meeting of the Holders of H Shares	2014-5-11	Website of Hong Kong Stock Exchange
87	Notice of 2014 First Class Meeting of the Holders of H Shares	2014-5-11	Website of Hong Kong Stock Exchange
88	Proposal for General Mandate to Repurchase A Shares and H Shares	2014-5-11	Website of Hong Kong Stock Exchange
89	China Shenhua – Notice of Convening Annual General Meeting of 2013	2014-5-12	Website of Shanghai Stock Exchange
90	China Shenhua – Notice of Convening the 1st Shareholders' Meeting of A Shares of 2014	2014-5-12	Website of Shanghai Stock Exchange
91	Announcement on the Major Operational Data of April 2014	2014-5-14	Website of Hong Kong Stock Exchange
92	China Shenhua – Announcement on the Major Operational Data of April 2014	2014-5-15	Website of Shanghai Stock Exchange

No.	Event	Date of publication	Website of publication
93	Overseas Regulatory Announcement	2014-5-29	Website of Hong Kong Stock Exchange
94	China Shenhua – Announcement on Progress of the Outstanding Commitment	2014-5-30	Website of Shanghai Stock Exchange
95	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 May 2014	2014-6-3	Website of Hong Kong Stock Exchange
96	Overseas Regulatory Announcement	2014-6-6	Website of Hong Kong Stock Exchange
97	China Shenhua – Particulars on the 2013 Annual General Meeting	2014-6-7	Website of Shanghai Stock Exchange
98	China Shenhua – Particulars on the 2014 First Class Meeting of the Holders of A Shares	2014-6-7	Website of Shanghai Stock Exchange
99	Overseas Regulatory Announcement	2014-6-16	Website of Hong Kong Stock Exchange
100	China Shenhua – Announcement on Redemption of Ultra-short-term Commercial Papers upon Maturity	2014-6-17	Website of Shanghai Stock Exchange
101	China Shenhua – Announcement Regarding Passing of Completion and Acceptance Inspection of Baotou Coal-to-Olefins Project	2014-6-17	Website of Shanghai Stock Exchange
102	Announcement on the Major Operational Data of May 2014	2014-6-17	Website of Hong Kong Stock Exchange
103	China Shenhua – Announcement on the Major Operational Data of May 2014	2014-6-18	Website of Shanghai Stock Exchange
104	Overseas Regulatory Announcement	2014-6-20	Website of Hong Kong Stock Exchange
105	China Shenhua – Announcement on Results of Issuance of the Third Tranche of Super Short-term Debentures in 2014	2014-6-21	Website of Shanghai Stock Exchange
106	Voting Results of 2013 Annual General Meeting, 2014 First Class Meeting of the Holders of A Shares and 2014 First Class Meeting of the Holders of H Shares	2014-6-27	Website of Hong Kong Stock Exchange
107	Announcement – Notice to Creditors in Relation to a General Mandate to Repurchase of Shares of the Company	2014-6-27	Website of Hong Kong Stock Exchange
108	Overseas Regulatory Announcement	2014-6-27	Website of Hong Kong Stock Exchange
109	Appointment of New Chairman and Vice Chairman of the Board and Appointment of New President	2014-6-27	Website of Hong Kong Stock Exchange
110	Proposed Appointment of Directors and Supervisors	2014-6-27	Website of Hong Kong Stock Exchange
111	Announcement on the Performance of Non-Competition Undertaking	2014-6-27	Website of Hong Kong Stock Exchange
112	Positions Held by Current Directors at the Board and the Board Committees	2014-6-27	Website of Hong Kong Stock Exchange
113	China Shenhua – Announcement on the Performance of Non-Competition Undertaking	2014-6-28	Website of Shanghai Stock Exchange
114	China Shenhua – Declarations Made by Candidates of Independent Directors	2014-6-28	Website of Shanghai Stock Exchange
115	China Shenhua – Declarations Made by Nominators of Independent Directors	2014-6-28	Website of Shanghai Stock Exchange
116	China Shenhua – Announcement on Resolutions of the 45th Meeting of the 2nd Session of the Board of Directors and Changes in Chairman, Vice Chairman and President of the Company	2014-6-28	Website of Shanghai Stock Exchange

No.	Event	Date of publication	Website of publication
117	China Shenhua – Legal Opinion on 2013 Annual General Meeting, 2014 First Class Meeting of the Holders of A Shares and 2014 First Class Meeting of the Holders of H Shares	2014-6-28	Website of Shanghai Stock Exchange
118	China Shenhua – Announcement on Resolutions of 2013 Annual General Meeting	2014-6-28	Website of Shanghai Stock Exchange
119	China Shenhua – Announcement on Resolutions of 2014 First Class Meeting of the Holders of A Shares and 2014 First Class Meeting of the Holders of H Shares	2014-6-28	Website of Shanghai Stock Exchange
120	China Shenhua – Notice to Creditors in Relation to a General Mandate Obtained by the Board of Directors to Repurchase Shares of the Company	2014-6-28	Website of Shanghai Stock Exchange
121	China Shenhua – Announcement on Resolutions of the 22nd Meeting of the 2nd Session of the Supervisory Committee	2014-6-28	Website of Shanghai Stock Exchange
122	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 June 2014	2014-6-30	Website of Hong Kong Stock Exchange
123	Overseas Regulatory Announcement	2014-7-3	Website of Hong Kong Stock Exchange
124	China Shenhua – Announcement on Final Dividend Distribution for 2013	2014-7-4	Website of Shanghai Stock Exchange
125	Notice of Extraordinary General Meeting	2014-7-6	Website of Hong Kong Stock Exchange
126	Proposed Appointment of Directors and Supervisors	2014-7-6	Website of Hong Kong Stock Exchange
127	Form of Proxy for Extraordinary General Meeting	2014-7-6	Website of Hong Kong Stock Exchange
128	Reply Slip Extraordinary General Meeting	2014-7-6	Website of Hong Kong Stock Exchange
129	Notification Letter and Request Form to Registered Holder	2014-7-6	Website of Hong Kong Stock Exchange
130	Notification Letter and Request Form to Non Registered Holder	2014-7-6	Website of Hong Kong Stock Exchange
131	Overseas Regulatory Announcement	2014-7-6	Website of Hong Kong Stock Exchange
132	China Shenhua – Notice of First Extraordinary General Meeting in 2014	2014-7-7	Website of Shanghai Stock Exchange
133	China Shenhua – H Shares Circular	2014-7-7	Website of Shanghai Stock Exchange
134	Overseas Regulatory Announcement	2014-7-14	Website of Hong Kong Stock Exchange
135	China Shenhua – Announcement Regarding the Unaudited Balance Sheet and Income Statement of Shenhua Finance Co., Ltd. for the First Half of 2014	2014-7-15	Website of Shanghai Stock Exchange
136	Announcement of the Major Operational Data of June 2014	2014-7-17	Website of Hong Kong Stock Exchange
137	China Shenhua – Announcement on the Major Operational Data of June 2014	2014-7-18	Website of Shanghai Stock Exchange
138	Overseas Regulatory Announcement	2014-7-22	Website of Hong Kong Stock Exchange
139	China Shenhua – Announcement Regarding the Completion of the Industrial and Commercial Modification Registration of Legal Representative	2014-7-23	Website of Shanghai Stock Exchange
140	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 July 2014	2014-8-1	Website of Hong Kong Stock Exchange

No.	Event	Date of publication	Website of publication
141	Overseas Regulatory Announcement	2014-8-1	Website of Hong Kong Stock Exchange
142	China Shenhua – Particulars of the First Extraordinary General Meeting in 2014	2014-8-2	Website of Shanghai Stock Exchange
143	Notice of Board Meeting	2014-8-12	Website of Hong Kong Stock Exchange
144	Overseas Regulatory Announcement	2014-8-12	Website of Hong Kong Stock Exchange
145	China Shenhua – Announcement of the Change of Sponsor Representatives	2014-8-13	Website of Shanghai Stock Exchange
146	Announcement on the Major Operational Data of July 2014	2014-8-18	Website of Hong Kong Stock Exchange
147	China Shenhua – Announcement on the Major Operational Data of July 2014	2014-8-19	Website of Shanghai Stock Exchange
148	Overseas Regulatory Announcement	2014-8-20	Website of Hong Kong Stock Exchange
149	China Shenhua – Announcement Regarding the Approval for the Construction of the New Project of Shandong Guohua Shouguang Power Plant under the Policy of "Expanding Large Generating Units and Eliminating Small Ones"	2014-8-21	Website of Shanghai Stock Exchange
150	Overseas Regulatory Announcement	2014-8-21	Website of Hong Kong Stock Exchange
151	China Shenhua – Announcement Regarding the Approval for the Construction of the New Project of Hunan Shenhua Yongzhou Power Plant	2014-8-22	Website of Shanghai Stock Exchange
152	Announcement of Interim Results for the Six Months Ended 30 June 2014	2014-8-22	Website of Hong Kong Stock Exchange
153	Appointment of Chairman and Vice Chairman of the Board of Directors and Appointment of Chairman of the Supervisory Committee	2014-8-22	Website of Hong Kong Stock Exchange
154	Positions held by Current Directors at the Board and the Board Committees	2014-8-22	Website of Hong Kong Stock Exchange
155	Appointment of Board Committee Members	2014-8-22	Website of Hong Kong Stock Exchange
156	Appointment of Supervisor	2014-8-22	Website of Hong Kong Stock Exchange
157	Adjustments to the 2014 Business Targets and Capital Expenditure Plan	2014-8-22	Website of Hong Kong Stock Exchange
158	Announcement on the Commencement of the Work on the Acquisition of Certain Assets Held by Controlling Shareholder	2014-8-22	Website of Hong Kong Stock Exchange
159	Overseas Regulatory Announcement	2014-8-22	Website of Hong Kong Stock Exchange
160	Rules of Procedures of Meetings of the Nomination Committee of the Board of Directors of China Shenhua Energy Company Limited	2014-8-22	Website of Hong Kong Stock Exchange
161	Overseas Regulatory Announcement – China Shenhua 2014 Interim Report (A Shares)	2014-8-22	Website of Hong Kong Stock Exchange
162	Voting Results of First Extraordinary General Meeting of 2014	2014-8-22	Website of Hong Kong Stock Exchange
163	China Shenhua – Rules of Procedures of Meetings of the Nomination Committee of the Board of Directors	2014-8-23	Website of Shanghai Stock Exchange
164	China Shenhua – 2014 Interim Report	2014-8-23	Website of Shanghai Stock Exchange

No.	Event	Date of publication	Website of publication
165	China Shenhua – Special Report on Deposit and Actual Use of Proceeds for the First Half of 2014	2014-8-23	Website of Shanghai Stock Exchange
166	China Shenhua – Announcement on Resolutions of the 46th Meeting of the 2nd Session of the Board of Directors	2014-8-23	Website of Shanghai Stock Exchange
167	China Shenhua – Announcement on the Election of the Employees' Representative Supervisor of the 3rd Session of the Supervisory Committee	2014-8-23	Website of Shanghai Stock Exchange
168	China Shenhua – Announcement on Resolutions of the 1st meeting of the 3rd Session of the Supervisory Committee	2014-8-23	Website of Shanghai Stock Exchange
169	China Shenhua – Announcement on the Commencement of the Work on the Acquisition of Certain Assets Held by Controlling Shareholder	2014-8-23	Website of Shanghai Stock Exchange
170	China Shenhua – Announcement on Results of Issuance of the First Tranche of Medium-term Notes in 2014	2014-8-23	Website of Shanghai Stock Exchange
171	China Shenhua – Legal Opinion on the 1st Extraordinary General Meeting in 2014	2014-8-23	Website of Shanghai Stock Exchange
172	China Shenhua – Announcement on Adjustments to the 2014 Business Targets and Capital Expenditure Plan	2014-8-23	Website of Shanghai Stock Exchange
173	China Shenhua – Announcement on Resolutions of the 1st and the 2nd meeting of the 3rd Session of the Board of Directors	2014-8-23	Website of Shanghai Stock Exchange
174	China Shenhua – Announcement on Resolutions of the 1st Extraordinary General Meeting in 2014	2014-8-23	Website of Shanghai Stock Exchange
175	China Shenhua – Announcement on Resolutions of the 23rd meeting of the 2nd Session of the Supervisory Committee	2014-8-23	Website of Shanghai Stock Exchange
176	China Shenhua – The Summary of the 2014 Interim Report	2014-8-23	Website of Shanghai Stock Exchange
177	2014 Interim Report	2014-8-24	Website of Hong Kong Stock Exchange
178	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 August 2014	2014-9-1	Website of Hong Kong Stock Exchange
179	Notification Letter and Request Form to Registered Holder	2014-9-5	Website of Hong Kong Stock Exchange
180	Notification Letter and Request Form to Non Registered Holder	2014-9-5	Website of Hong Kong Stock Exchange
181	Announcement on the Major Operational Data of August 2014	2014-9-12	Website of Hong Kong Stock Exchange
182	Overseas Regulatory Announcement	2014-9-12	Website of Hong Kong Stock Exchange
183	China Shenhua – Announcement on Changes in Senior Management	2014-9-13	Website of Shanghai Stock Exchange
184	China Shenhua – Announcement on Adjustments to Power Tariffs	2014-9-13	Website of Shanghai Stock Exchange
185	China Shenhua – Announcement on the Major Operational Data of August 2014	2014-9-13	Website of Shanghai Stock Exchange
186	Overseas Regulatory Announcement	2014-9-22	Website of Hong Kong Stock Exchange
187	China Shenhua – Announcement on Results of Issuance of the Second Tranche of Medium-term Notes in 2014	2014-9-23	Website of Shanghai Stock Exchange
188	Overseas Regulatory Announcement	2014-9-26	Website of Hong Kong Stock Exchange

No.	Event	Date of publication	Website of publication
189	China Shenhua – Announcement on Progress of the Open-cut Mine Project of Phase I Watermark Coal Project	2014-9-27	Website of Shanghai Stock Exchange
190	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 September 2014	2014-9-30	Website of Hong Kong Stock Exchange
191	Notice of Board Meeting	2014-10-14	Website of Hong Kong Stock Exchange
192	Announcement on the Major Operational Data of September 2014	2014-10-17	Website of Hong Kong Stock Exchange
193	China Shenhua – Announcement on the Major Operational Data of September 2014	2014-10-18	Website of Shanghai Stock Exchange
194	Overseas Regulatory Announcement	2014-10-20	Website of Hong Kong Stock Exchange
195	China Shenhua – Announcement on Obtaining Approval for the Arun to Morin Railway Project	2014-10-21	Website of Shanghai Stock Exchange
196	Overseas Regulatory Announcement	2014-10-24	Website of Hong Kong Stock Exchange
197	Overseas Regulatory Announcement	2014-10-24	Website of Hong Kong Stock Exchange
198	Third Quarterly Report for the Year 2014	2014-10-24	Website of Hong Kong Stock Exchange
199	China Shenhua – Announcement on the Implementation of the Newly Enacted and Amended Accounting Principles	2014-10-25	Website of Shanghai Stock Exchange
200	China Shenhua – Announcement Regarding Online Discussion Forum for Investors	2014-10-25	Website of Shanghai Stock Exchange
201	China Shenhua – Announcement on Resolutions of the 3rd meeting of 3rd the Session of the Board of Directors	2014-10-25	Website of Shanghai Stock Exchange
202	China Shenhua – Announcement on Resolutions of the 2nd meeting of the 3rd Session of the Supervisory Committee	2014-10-25	Website of Shanghai Stock Exchange
203	China Shenhua – Third Quarterly Report for the Year 2014	2014-10-25	Website of Shanghai Stock Exchange
204	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 October 2014	2014-10-31	Website of Hong Kong Stock Exchange
205	Announcement on the Major Operational Data of October 2014	2014-11-21	Website of Hong Kong Stock Exchange
206	China Shenhua – Announcement on the Major Operational Data of October 2014	2014-11-22	Website of Shanghai Stock Exchange
207	Resignation of a Non-executive Director	2014-11-24	Website of Hong Kong Stock Exchange
208	Positions held by Current Directors at the Board and the Board Committees	2014-11-24	Website of Hong Kong Stock Exchange
209	Voluntary Announcement	2014-11-24	Website of Hong Kong Stock Exchange
210	China Shenhua – Announcement on Resignation of a Non-executive Director	2014-11-25	Website of Shanghai Stock Exchange
211	China Shenhua – Announcement on Signing of "Memorandum of Understanding on Cooperation" for Coal and Power Joint Venture Project between Shenhua Overseas Company and ADARO POWER, an Indonesia-based Company	2014-11-25	Website of Shanghai Stock Exchange

No.	Event	Date of publication	Website of publication
212	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 November 2014	2014-12-1	Website of Hong Kong Stock Exchange
213	Voluntary Announcement Submission of Bid for Tsankhi Project in Mongolia	2014-12-4	Website of Hong Kong Stock Exchange
214	China Shenhua – Submission of Bid for Tsankhi Project in Mongolia	2014-12-5	Website of Shanghai Stock Exchange
215	Further Announcement Relating to Resignation of a Non-executive Director	2014-12-5	Website of Hong Kong Stock Exchange
216	China Shenhua – Announcement on the Follow-up Progress after the Resignation of a Non-executive Director	2014-12-6	Website of Shanghai Stock Exchange
217	Overseas Regulatory Announcement	2014-12-8	Website of Hong Kong Stock Exchange
218	China Shenhua – Announcement on the Redemption of Super short-term financing debentures at Maturity	2014-12-9	Website of Shanghai Stock Exchange
219	Overseas Regulatory Announcement	2014-12-11	Website of Hong Kong Stock Exchange
220	China Shenhua – Announcement on Obtaining Approval for the Construction of Jiangxi Shenhua Jiujiang Power Plant	2014-12-12	Website of Shanghai Stock Exchange
221	Announcement on the Major Operational Data of November 2014	2014-12-16	Website of Hong Kong Stock Exchange
222	China Shenhua – Announcement on the Major Operational Data of November 2014	2014-12-17	Website of Shanghai Stock Exchange
223	Overseas Regulatory Announcement	2014-12-19	Website of Hong Kong Stock Exchange
224	China Shenhua – Announcement on Progress of Baojing Shale Gas Project	2014-12-20	Website of Shanghai Stock Exchange
225	Overseas Regulatory Announcement	2014-12-22	Website of Hong Kong Stock Exchange
226	China Shenhua – Announcement on Obtaining Approval for the Construction of Shenhua Guohua Guangtou Beihai Power Plant	2014-12-23	Website of Shanghai Stock Exchange
227	Voluntary Announcement Progress of Tsankhi Project in Mongolia	2014-12-23	Website of Hong Kong Stock Exchange
228	China Shenhua – Announcement on Progress of Tsankhi Project in Mongolia	2014-12-24	Website of Shanghai Stock Exchange
229	China Shenhua – Announcement on Resolutions of the 4th meeting of the 3rd Session of the Board of Directors	2014-12-27	Website of Shanghai Stock Exchange
230	Overseas Regulatory Announcement	2014-12-28	Website of Hong Kong Stock Exchange
231	Overseas Regulatory Announcement	2014-12-29	Website of Hong Kong Stock Exchange
232	China Shenhua – Announcement on Obtaining Approval for the Construction of Shaanxi Shenhua Fuping Thermal Power	2014-12-30	Website of Shanghai Stock Exchange
233	Overseas Regulatory Announcement	2014-12-30	Website of Hong Kong Stock Exchange
234	China Shenhua – Announcement on Obtaining Approval for the Expansion of Phase II Anqing Power Plant	2014-12-31	Website of Shanghai Stock Exchange
235	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 December 2014	2014-12-31	Website of Hong Kong Stock Exchange

Section XIV
Independent Auditor's Report

Deloitte.
德勤

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 (collectively referred to as the "Group") set out on pages 151 to 234, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other 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 and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement 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 judgment, 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 2014, 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

20 March 2015

Section XV
Consolidated Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2014

	NOTES	Year ended 31 December **2014** **RMB million**	 2013 RMB million
Revenue	5	**248,360**	283,797
Cost of sales	6	**(174,843)**	(202,431)
Gross profit		**73,517**	81,366
Selling, general and administrative expenses		**(9,459)**	(10,118)
Other gains and losses	9	**(749)**	(889)
Other income		**933**	533
Other expenses		**(417)**	(364)
Interest income		**804**	754
Finance costs	7	**(4,094)**	(2,942)
Share of results of associates		**410**	588
Profit before income tax		**60,945**	68,928
Income tax expense	8	**(12,562)**	(13,704)
Profit for the year	9	**48,383**	55,224
Other comprehensive expense for the year, net of income tax, that may be reclassified subsequently to profit or loss:			
Exchange differences		**(301)**	(802)
Total comprehensive income for the year		**48,082**	54,422
Profit for the year attributable to:			
Equity holders of the Company		**38,689**	45,079
Non-controlling interests		**9,694**	10,145
		48,383	55,224
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**38,388**	44,293
Non-controlling interests		**9,694**	10,129
		48,082	54,422
Earnings per share (RMB)			
– Basic	14	**1.945**	2.266

Consolidated Statement of Financial Position

at 31 December 2014

	NOTES	31 December 2014 RMB million	31 December 2013 RMB million
Non-current assets			
Property, plant and equipment	15	**281,514**	262,116
Construction in progress	16	**78,924**	76,065
Exploration and evaluation assets	17	**2,212**	2,251
Intangible assets	18	**1,509**	1,446
Interest in associates	20	**5,016**	4,866
Available-for-sale investments	21	**1,795**	1,032
Other non-current assets	22	**32,423**	28,148
Lease prepayments	23	**14,825**	14,243
Deferred tax assets	28	**2,042**	1,723
Total non-current assets		**420,260**	391,890
Current assets			
Inventories	24	**15,790**	17,641
Accounts and bills receivable	25	**29,914**	27,221
Prepaid expenses and other current assets	26	**29,431**	30,274
Restricted bank deposits		**6,271**	6,648
Time deposits with original maturity over three months		**1,275**	1,292
Cash and cash equivalents	27	**35,956**	38,332
Total current assets		**118,637**	121,408
Current liabilities			
Borrowings	29	**17,330**	38,503
Short-term debenture	30	**9,994**	9,982
Accounts and bills payable	31	**38,286**	37,800
Accrued expenses and other payables	32	**40,354**	42,692
Current portion of long-term payables	33	**280**	311
Income tax payable		**2,617**	2,221
Total current liabilities		**108,861**	131,509
Net current assets (liabilities)		**9,776**	(10,101)
Total assets less current liabilities		**430,036**	381,789

Consolidated Statement of Financial Position (continued)

at 31 December 2014

	NOTES	**31 December 2014 RMB million**	31 December 2013 RMB million
Non-current liabilities			
Borrowings	*29*	**38,726**	37,084
Medium-term notes	*30*	**24,933**	4,958
Long-term payables	*33*	**1,546**	1,867
Accrued reclamation obligations	*34*	**2,102**	1,973
Deferred tax liabilities	*28*	**1,130**	1,265
Total non-current liabilities		**68,437**	47,147
Net assets		**361,599**	334,642
Equity			
Share capital	*35*	**19,890**	19,890
Reserves		**277,354**	257,013
Equity attributable to equity holders of the Company		**297,244**	276,903
Non-controlling interests		**64,355**	57,739
Total equity		**361,599**	334,642

The consolidated financial statements on pages 151 to 234 were approved and authorised for issue by the Board of Directors on 20 March 2015.

Chairman *Director and President*

Statement of Financial Position

at 31 December 2014

	NOTES	31 December 2014 RMB million	31 December 2013 RMB million
Non-current assets			
Property, plant and equipment	15	**55,756**	55,505
Construction in progress	16	**9,408**	9,643
Intangible assets	18	**127**	84
Investments in subsidiaries	19	**115,497**	107,129
Investments in associates	20	**1,065**	1,065
Available-for-sale investments	21	**1,647**	885
Other non-current assets	22	**50,539**	38,437
Lease prepayments	23	**2,728**	2,712
Total non-current assets		**236,767**	215,460
Current assets			
Inventories	24	**5,416**	5,789
Accounts and bills receivable	25	**16,131**	8,963
Prepaid expenses and other current assets	26	**55,704**	57,740
Restricted bank deposits		**267**	174
Time deposits with original maturity over three months		**10,480**	580
Cash and cash equivalents	27	**25,448**	37,176
Total current assets		**113,446**	110,422
Current liabilities			
Borrowings	29	**14,246**	29,790
Short-term debenture	30	**9,994**	9,982
Accounts payable	31	**10,297**	9,078
Accrued expenses and other payables	32	**52,806**	31,789
Current portion of long-term payables	33	**236**	247
Income tax payable		**835**	553
Total current liabilities		**88,414**	81,439
Net current assets		**25,032**	28,983
Total assets less current liabilities		**261,799**	244,443
Non-current liabilities			
Borrowings	29	**4,008**	4,554
Medium-term notes	30	**24,933**	4,958
Long-term payables	33	**1,150**	1,285
Accrued reclamation obligations	34	**1,106**	1,051
Deferred tax liabilities	28	**265**	375
Total non-current liabilities		**31,462**	12,223
Net assets		**230,337**	232,220
Equity			
Share capital	35	**19,890**	19,890
Reserves	36	**210,447**	212,330
Total equity		**230,337**	232,220

Consolidated Statement of Changes in Equity

for the year ended 31 December 2014

	Equity attributable to equity holders 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 2013	19,890	85,001	3,612	734	16,554	(1,835)	139,227	263,183	49,968	313,151
Profit for the year	–	–	–	–	–	–	45,079	45,079	10,145	55,224
Other comprehensive expense for the year	–	–	–	(786)	–	–	–	(786)	(16)	(802)
Total comprehensive income for the year	–	–	–	(786)	–	–	45,079	44,293	10,129	54,422
Dividend declared (Note 13)	–	–	–	–	–	–	(19,094)	(19,094)	–	(19,094)
Appropriation of maintenance and production funds (note (iii))	–	–	–	–	4,656	–	(4,656)	–	–	–
Utilisation of maintenance and production funds (note (iii))	–	–	–	–	(6,308)	–	6,308	–	–	–
Appropriation of general reserve (note (iii))	–	–	–	–	127	–	(127)	–	–	–
Acquisition of subsidiaries in 2013 (Note 40)	–	–	–	–	–	(9,323)	–	(9,323)	–	(9,323)
Distributions to the shareholders in relation to the 2013 Acquisitions	–	–	–	–	–	–	(2,026)	(2,026)	–	(2,026)
Contributions from non-controlling shareholders	–	–	–	–	–	17	–	17	2,843	2,860
Distributions to non-controlling shareholders	–	–	–	–	–	–	–	–	(5,172)	(5,172)
Acquisition of non-controlling interests	–	–	–	–	2	1	–	3	(18)	(15)
Others	–	–	–	–	–	(150)	–	(150)	(11)	(161)
At 31 December 2013	19,890	85,001	3,612	(52)	15,031	(11,290)	164,711	276,903	57,739	334,642

Consolidated Statement of Changes in Equity (continued)

for the year ended 31 December 2014

	Equity attributable to equity holders 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 2014	**19,890**	**85,001**	**3,612**	**(52)**	**15,031**	**(11,290)**	**164,711**	**276,903**	**57,739**	**334,642**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**38,689**	**38,689**	**9,694**	**48,383**
Other comprehensive expense for the year	**-**	**-**	**-**	**(301)**	**-**	**-**	**-**	**(301)**	**-**	**(301)**
Total comprehensive income for the year	**-**	**-**	**-**	**(301)**	**-**	**-**	**38,689**	**38,388**	**9,694**	**48,082**
Dividend declared (Note 13)	**-**	**-**	**-**	**-**	**-**	**-**	**(18,100)**	**(18,100)**	**-**	**(18,100)**
Appropriation of maintenance and production funds (note (iii))	**-**	**-**	**-**	**-**	**5,996**	**-**	**(5,996)**	**-**	**-**	**-**
Utilisation of maintenance and production funds (note (iii))	**-**	**-**	**-**	**-**	**(5,028)**	**-**	**5,028**	**-**	**-**	**-**
Appropriation of general reserve (note (iii))	**-**	**-**	**-**	**-**	**72**	**-**	**(72)**	**-**	**-**	**-**
Contributions from non-controlling shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**971**	**971**
Distributions to non-controlling shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,030)**	**(4,030)**
Others	**-**	**-**	**-**	**-**	**-**	**53**	**-**	**53**	**(19)**	**34**
At 31 December 2014	**19,890**	**85,001**	**3,612**	**(353)**	**16,071**	**(11,237)**	**184,260**	**297,244**	**64,355**	**361,599**

Notes:

(i) 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 in connection with the Restructuring (as defined in Note 1).

(iii) Statutory reserves

Statutory surplus reserve

According to the PRC Company Law and 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 up 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 of the Company. The statutory surplus reserve is not distributable.

Specific reserve for production and maintenance funds

Pursuant to the relevant PRC regulations, the Group is required to transfer production and maintenance funds at fixed rates based on relevant bases to a specific reserve accounts. The production and maintenance funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of production and maintenance funds utilised would be transferred from the specific reserve account 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 by the end of the financial year through appropriations of profit after tax as determined in accordance with China Accounting Standards at a certain ratio of the ending balance of gross risk-bearing assets to cover potential losses against such assets.

The directors of the Company (the "Directors") have proposed appropriation to the general reserve of RMB72 million for the year ended 31 December 2014 (2013: RMB127 million).

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 2014 and 2013.

Consolidated Statement of Cash Flows

for the year ended 31 December 2014

	Year ended 31 December	
	2014	*2013*
	RMB million	*RMB million*
Operating Activities		
Profit before income tax	**60,945**	68,928
Adjustments for:		
Depreciation and amortisation (Note 9)	**20,749**	19,187
Other gains and losses (Note 9)	**749**	889
Interest income	**(804)**	(754)
Share of results of associates	**(410)**	(588)
Interest expense	**4,417**	3,685
Fair value loss on derivative financial instruments and trading debt securities	**5**	156
Exchange gain, net	**(328)**	(899)
Other income	**(76)**	(4)
Operating cash flows before movements in working capital	**85,247**	90,600
Decrease (increase) in inventories	**1,644**	(1,992)
Increase in accounts and bills receivable	**(2,701)**	(7,218)
Increase in prepaid expenses and other receivables	**(3,068)**	(15,554)
Increase in accounts and bills payable	**486**	6,169
(Decrease) increase in accrued expenses and other payables	**(1,477)**	36
Cash generated from operations	**80,131**	72,041
Income tax paid	**(12,620)**	(17,753)
Net Cash Generated from Operating Activities	**67,511**	54,288
Investing Activities		
Acquisition of property, plant and equipment, intangible assets, exploration and evaluation assets, additions to the construction in progress and other non-current assets	**(44,268)**	(51,148)
Increase in lease prepayments	**(271)**	(517)
Proceeds from disposal of property, plant and equipment, and lease prepayments	**686**	167
Proceeds from disposal of an associate	**40**	229
Proceeds from available-for-sale investments	**–**	4
Proceeds from disposal of a subsidiary	**19**	–
Investments in associates	**(197)**	(196)
Purchase of available-for-sale investments	**(913)**	–
Dividend received from associates	**357**	720
Interest received	**851**	766
Investment income from debt securities	**146**	–
Decrease (increase) in restricted bank deposits	**377**	(518)
Increase in time deposits with original maturity over three months	**(1,547)**	(1,109)
Maturity of time deposits with original maturity over three months	**1,564**	3,789
Entrusted loan to a third party	**(37)**	–
Entrusted loan to an associate	**–**	(40)
Repayment of entrusted loans	**30**	80
Net Cash Used in Investing Activities	**(43,163)**	(47,773)

Consolidated Statement of Cash Flows (continued)

for the year ended 31 December 2014

	Year ended 31 December	
	2014	2013
	RMB million	RMB million
FINANCING ACTIVITIES		
Interest paid	**(5,242)**	(4,321)
Proceeds from borrowings	**44,500**	53,681
Repayments of borrowings	**(63,753)**	(51,439)
Net proceeds from short-term debentures and medium-term notes	**39,915**	14,927
Repayments of short-term debentures and medium-term notes	**(20,000)**	–
Contributions from non-controlling shareholders	**971**	2,860
Contributions from equity holders of the Company	**53**	–
Distributions to non-controlling shareholders	**(5,066)**	(5,046)
Dividend paid to equity holders of the Company	**(18,100)**	(19,094)
Payment for acquisitions from Shenhua Group in 2013	**–**	(9,323)
Distributions to the shareholders in relation to acquisitions from Shenhua Group in 2013 Acquisitions	**–**	(2,026)
Acquisition of non-controlling interests	**–**	(15)
Net cash used in financing activities	**(26,722)**	(19,796)
Net decrease in cash and cash equivalents	**(2,374)**	(13,281)
Cash and cash equivalents, at the beginning of the year	**38,332**	51,637
Effect of foreign exchange rate changes	**(2)**	(24)
Cash and cash equivalents, at the end of the year	**35,956**	38,332

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 coal-based power to provincial/regional electric grid companies in the People's Republic of China (the "PRC"). The Group operates an integrated railway network and seaports that are primarily used to transport the Group's coal sales from its mines. The primary customers of the Group's coal sales include power plants and metallurgical producers in the PRC. In 2013, the Company acquired coal chemical business from Shenhua Group Corporation Limited ("Shenhua Group")(Note 40).

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.

Effective on 31 December 2003, the coal production and power generation operations previously operated by various entities wholly-owned or controlled by Shenhua Group were restructured and managed separately (the "Restructuring"), and those assets and liabilities related to the operations and businesses that were transferred to the Company were revalued by China Enterprise Appraisal Co., Ltd., an independent valuer 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.

Immediate parent and ultimate controlling party

At 31 December 2014, the Directors consider the immediate parent and ultimate controlling party of the Group to be Shenhua Group.

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

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

Amendments to IFRS 10, IFRS 12 and IAS 27	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*

The application of these new and revised IFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

New and revised IFRSs not yet effective and not early adopted

IFRS 9	*Financial Instruments*[1]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[4]
Amendments to IAS 1	*Disclosure Initiative*[4]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[4]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[4]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[3]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[4]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[4]
Amendments to IFRSs	*Annual Improvements to IFRSs 2010-2012 Cycle*[5]
Amendments to IFRSs	*Annual Improvements to IFRSs 2011-2013 Cycle*[3]
Amendments to IFRSs	*Annual Improvements to IFRSs 2012-2014 Cycle*[4]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2017.
3 Effective for annual periods beginning on or after 1 July 2014.
4 Effective for annual periods beginning on or after 1 January 2016.
5 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

Other than as further explained below, the Directors do not anticipate that the application of the new and revised IFRSs above will have a material effect on the Group's consolidated financial statements.

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

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

New and revised IFRSs not yet effective and not early adopted (continued)

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Group is in the process of making an assessment of the impact of IFRS 15 and it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

IFRS 9 introduced new requirements, among others, for the classification and measurement of financial assets and financial liabilities as well as for derecognition. Key requirements of IFRS 9 applicable to the Group are:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In the relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss under IAS 39. The credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event has occurred before credit losses are recognised.

The Directors anticipate that the application of IFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

3. Significant Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with IFRSs and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Companies Ordinance. They are presented in RMB and all values are rounded to the nearest million (RMB'million) except when otherwise indicated.

These financial statements have been prepared under the historical cost convention, except for certain financial instruments as disclosed in Note 38.3, which have been measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Group's consolidated financial statements is determined on such a basis, except for net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. Significant Accounting Policies (continued)

Basis of consolidation (continued)

Profit or loss and each item of other comprehensive income are attributed to equity holders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transaction between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interest in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries but no adjustments are made to goodwill and no gain or loss is recognised. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

3. Significant Accounting Policies (continued)

Business combinations (continued)

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating-units (or groups of cash-generating-units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating-units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. Significant Accounting Policies (continued)

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

On acquisition of the investment in an associate, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. Significant Accounting Policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

Income from rendering of railway, port, shipping and other services is recognised upon the provision of the services.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders’ rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the profit or loss on the straight-line basis over the lease terms.

Land using rights under operating leases are presented as lease prepayments in the consolidated statement of financial position and are initially stated at cost and subsequently charged to the profit or loss on the straight-line basis over the lease terms.

3. Significant Accounting Policies (continued)

Foreign currencies

Foreign currency transactions are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve, attributed to non-controlling interests as appropriate.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the year in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and a supplemental defined contribution pension plan approved by the government are recognised as an expense when employees have rendered service entitling them to the contributions.

3. Significant Accounting Policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before income tax" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred tax assets are reassessed at the end of each reporting year and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. Significant Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment, which consists of freehold land and buildings, mining structures and mining rights, mining related machinery and equipment, and others, held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than freehold land and construction in progress, which are subject to impairment assessment) less their residual values over their estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Property, plant and equipment, except for freehold land, and mining structures and mining rights, are depreciated on a straight-line basis at the following rates per annum:

Buildings	10-50 years
Mining related machinery and equipment	5-20 years
Generators related machinery and equipment	20 years
Railway and port	40-45 years
Vessel	10-25 years
Coal chemical related machinery and equipment	10-20 years
Furniture, fixtures, motor vehicles and other equipment	5-20 years

The Directors reviewed the estimated useful lives of the assets annually based on the Group's historical experience with similar assets and taking into account anticipated technological changes.

Construction in progress intended to be used for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

Mining structures and mining rights

The costs of mining structures and mining rights, which include the costs of acquiring and developing mining structures and mining rights, are firstly capitalised as "construction in progress" in the year in which they are incurred and then reclassified to "Mining structures and mining rights" under property, plant and equipment when they are ready for commercial production.

Mining structures and mining rights are depreciated on a units-of-production basis over the total 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.

Stripping costs incurred to develop a mine (or pit) before the production commences or to improve access to the component of the ore body during the production stage are capitalised as part of the cost of constructing the mine (or pit) and subsequently amortised over the life of the mine (or pit) on a units-of-production basis. Stripping costs and secondary development expenditure, mainly comprising costs on blasting, haulage, excavation, etc. incurred during the production stage of the ore body are charged to profit or loss as incurred.

Commercial reserves are proved and probable reserves. Changes in the commercial reserves affecting unit of production calculations are dealt with prospectively over the revised remaining reserves.

Exploration and evaluation assets

Exploration and evaluation assets comprise costs which are directly attributable to the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource:

- 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.

Other than licence cost, expenditure during the initial exploration stage of a project is charged to profit or loss as incurred before the establishment of commercial reserves. Further exploration and evaluation costs 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. They are subsequently measured at cost less accumulated impairment.

Once development of commercial reserves is sanctioned, exploration and evaluation assets are tested for impairment and transferred to property, plant and equipment.

3. Significant Accounting Policies (continued)

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 land 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.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date and the cost is charged to the profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

3. Significant Accounting Policies (continued)

Intangible assets (continued)

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses.

3. Significant Accounting Policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, loans and receivables and available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition based on their nature and purpose. All regular way purchases and sales of financial assets are recognised and derecognised on a trade date. Regular way purchases or sales are purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

During the reporting years, the Group held only financial assets at FVTPL, loans and receivables and available-for-sale financial assets. The financial assets are initially measured at fair value plus transaction costs, except for transaction costs for financial assets at FVTPL which are recognised immediately in profit or loss. The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at FVTPL

The Group's trading debt securities are classified as held for trading as it has been acquired for the purpose of selling in the near term. They are stated at fair values, with any gains or losses arising on remeasurement, net of interest earned, recognised in profit or loss and are included in other gains and losses line item.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts and bills receivable, other receivables, loans to Shenhua Group and fellow subsidiaries, entrusted loans, restricted bank deposits, time deposits with original maturity over three months and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any identified impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated or not classified as other categories of financial assets. The Group designated its investments in unlisted shares that are not traded in an active market as available-for-sale investments.

As the unlisted equity investment does not have quoted market price and its fair value cannot be reliably measured, it is measured at cost less any identified impairment losses at end of each reporting period. Dividends on the unlisted equity investment are recognised in profit or loss in accordance with the policies set out for "Revenue recognition".

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected. The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables, other receivables, loans to Shenhua Group and fellow subsidiaries and entrusted loans, where the carrying amount is reduced through the use of an allowance account. When accounts receivables, other receivables, loans to Shenhua Group and fellow subsidiaries and entrusted loans are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Financial liabilities and equity instruments

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Other financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss and, financial liabilities at amortised cost. The Group determines the classification of its financial liabilities at initial recognition. The Group's financial liabilities including borrowings, accounts and bills payable, other payables, long-term payables, short-term debentures and medium-term notes, are recognised initially at fair value and, in the case of borrowings, debentures and notes, net of directly attributable transaction costs.

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the profit or loss when the liabilities are derecognised. The effective interest rate amortisation is included in finance costs in the profit or loss.

Deregconition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

The Group's derivative financial instruments represent cross-currency interest rate swaps, and are initially recognised at fair value at the date when the derivative contracts are entered into, are remeasured at fair value at the end of the reporting period, with any gains or losses recognised in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interests income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

3. Significant Accounting Policies (continued)

Impairment of non-financial assets other than goodwill (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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 the time value of money and the risks specific to the asset. An impairment loss is charged to the profit or loss as other gains and losses.

An assessment is made at the end of each reporting year as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the profit or loss in the year in which it arises.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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.

4.1 Critical judgements in applying accounting policies

The following are critical judgements, apart from those involving estimation (see Note 4.2 below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control over Hebei Guohua Dingzhou Power Co., Ltd. ("Dingzhou Power")

Note 19 describes that Dingzhou Power is a subsidiary of the Group although the Group has only 41% ownership interest and voting rights in Dingzhou Power. The remaining 59% of ownership interest and voting rights are owned by two shareholders that are unrelated to the Group as to 19% and 40%, respectively. Details of Dingzhou Power are set out in Note 19.

In making their judgement, the Directors considered that the shareholders of Dingzhou Power offered the Group for the right on appointment of the majority members of the board of directors which is the governing body of Dingzhou Power and the Group has the practical ability to direct the relevant activities of Dingzhou Power unilaterally. After assessment, the Directors concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of Dingzhou Power and therefore the Group has control over Dingzhou Power.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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 of 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 as 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.

Impairment losses

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 and lease prepayments, the recoverable amount of the asset needs to be determined. The recoverable amount is the higher of its fair value less costs of disposal 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, amount of operating costs and future returns. 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 cash flows 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. The carrying amounts of the property, plant and equipment, construction in progress, intangible assets, investments in subsidiaries and associates and lease prepayments, are disclosed in Note15, 16, 18, 19, 20 and 23, respectively.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

4.2 Key sources of estimation uncertainty (continued)

Depreciation

Other than the freehold land and 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 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. The carrying amounts of the property, plant and equipment is disclosed in Note 15.

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. The carrying amounts of the obligations are disclosed in Note 34.

5. Revenue

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

	Year ended 31 December	
	2014	*2013*
	RMB million	*RMB million*
Coal revenue	**132,592**	167,399
Power revenue	**71,812**	77,423
Transportation revenue	**4,323**	6,078
Coal chemical revenue	**5,368**	5,463
	214,095	256,363
Other revenue	**34,265**	27,434
	248,360	283,797

6. Cost of Sales

	Year ended 31 December	
	2014	*2013*
	RMB million	*RMB million*
Coal purchased	**43,545**	73,876
Materials, fuel and power	**20,640**	21,857
Personnel expenses	**10,980**	11,347
Depreciation and amortisation	**18,700**	16,955
Repairs and maintenance	**9,270**	9,041
Transportation charges	**14,526**	18,948
Taxes and surcharges	**4,051**	4,845
Other operating costs	**53,131**	45,562
	174,843	202,431

7. Finance Costs

	Year ended 31 December	
	2014	*2013*
	RMB million	*RMB million*
Interest on:		
– borrowings, wholly repayable within five years	**3,116**	2,841
– borrowings, wholly repayable after five years	**1,511**	1,336
– short-term debentures	**773**	133
– medium-term notes	**330**	38
Total borrowing costs	**5,730**	4,348
Less: amount capitalised	**1,474**	859
	4,256	3,489
Unwinding of discount	**161**	196
Exchange gain, net	**(328)**	(899)
Fair value changes on financial instruments	**5**	156
	4,094	2,942

Borrowing cost capitalised during the year arose on the general borrowing pool and was calculated by applying a capitalisation rate from 3.57% to 6.40% and LIBOR+0.7%, (2013: from 3.60% to 6.30% and LIBOR+2.8%) per annum to expenditure on qualifying assets.

8. Income Tax Expense

	Year ended 31 December	
	2014	*2013*
	RMB million	*RMB million*
Current tax		
In respect of the current year	**12,427**	13,676
In respect of prior years	**589**	530
Deferred tax	**(454)**	(502)
	12,562	13,704

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate applicable for PRC group entities is 25% (2013: 25%) except for Group's branches and subsidiaries operating in the western developing region of the PRC which are entitled to a preferential tax rate of 15% from 2011 to 2020.

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

	Year ended 31 December	
	2014	*2013*
	RMB million	*RMB million*
Profit before income tax	**60,945**	68,928
Tax at PRC income tax rate of 25% (2013: 25%)	**15,235**	17,232
Tax effects of:		
– different tax rates of branches and subsidiaries	**(3,372)**	(4,401)
– non-deductible expenses	**241**	776
– income not taxable	**(248)**	(114)
– share of results of associate	**(102)**	(147)
– utilisation of tax losses previously not recognised	**(60)**	(273)
– tax losses not recognised	**384**	189
– additional tax in respect of prior years	**589**	530
Others	**(105)**	(88)
Income tax expense	**12,562**	13,704

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

	Year ended 31 December	
	2014	*2013*
	%	*%*
Australia	**30.0**	30.0
Indonesia	**25.0**	25.0
Russia	**20.0**	20.0
Hong Kong	**16.5**	16.5

No provision for income tax was made for these overseas subsidiaries as there were no assessable profits during both years.

9. Profit for the Year

Profit for the year has been arrived at after charging (crediting):

	Year ended 31 December	
	2014 RMB million	*2013 RMB million*
Personnel expenses, including	**19,480**	19,038
– contributions to retirement plans of RMB2,567 million (2013: RMB2,539 million)		
Depreciation of property, plant and equipment	**18,842**	18,184
Amortisation of intangible assets, included in cost of sales	**219**	179
Amortisation of lease prepayments, included in cost of sales	**370**	360
Amortisation of other non-current assets	**1,318**	464
Depreciation and amortisation	**20,749**	19,187
Other gains and losses, represent		
– losses on disposal of property, plant and equipment	**206**	553
– gains on disposal of an associate	**–**	(152)
– gains on disposal of available-for-sale investments	**(54)**	–
– gains on disposal of a subsidiary	**(19)**	–
– impairment in respect of properties and equipment	**202**	187
– impairment in respect of construction in progress	**–**	147
– impairment of loans receivable	**124**	153
– allowance(reversal of allowance) for receivables	**58**	(72)
– write down of inventories	**232**	73
	749	889
Carrying amount of inventories sold	**132,644**	156,567
Operating lease in respect of properties and equipment	**355**	451
Auditors' remuneration		
– audit services	**21**	23

10. Directors', Supervisors' and Chief Executive's Emoluments

The emoluments paid or payable to each of the directors, supervisors and the chief executive are as follows:

	Year ended 31 December 2014				
	Fees RMB million	Basic salaries, housing and other allowance and benefits in kind RMB million	Discretionary bonuses RMB million	Retirement scheme contributions RMB million	Total RMB million
Chief executive					
Zhang Yuzhuo (note (i) and note (ii))	–	–	–	–	–
Executive directors					
Ling Wen	–	0.09	0.50	0.04	0.63
Han Jianguo	–	0.50	0.64	0.10	1.24
Wang Xiaolin (note (ii))	–	0.49	0.55	0.09	1.13
Non-executive directors					
Kong Dong (note (i) and note (iii))	–	–	–	–	–
Chen Hongsheng (note (i))	–	–	–	–	–
Wu Ruosi (note (i)) (note (ii)) (note (iii))	–	–	–	–	–
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 (i) and note (iii))	–	–	–	–	–
Zhai Richeng (note (i) and note (ii))	–	–	–	–	–
Shen Lin (note (ii))	–	0.14	0.27	0.03	0.44
Tang Ning	–	0.43	0.47	0.09	0.99
Zhao Shibin (note (iii))	–	0.32	0.28	0.05	0.65
	1.35	1.97	2.71	0.40	6.43

10. Directors', Supervisors' and Chief Executive's Emoluments (continued)

	Year ended 31 December 2013				
	Fees RMB million	Basic salaries, housing and other allowance and benefits in kind RMB million	Discretionary bonuses RMB million	Retirement scheme contributions RMB million	Total RMB million
Chief executive					
Zhang Xiwu (note (i) and note (iii))	–	–	–	–	–
Executive directors					
Zhang Yuzhuo (note (i))	–	–	–	–	–
Ling Wen	–	0.49	0.97	0.14	1.60
Han Jianguo	–	0.49	0.94	0.13	1.56
Non-executive directors					
Kong Dong (note (i))	–	–	–	–	–
Chen Hongsheng (note (i))	–	–	–	–	–
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 (i))	–	–	–	–	–
Tang Ning	–	0.45	0.51	0.11	1.07
Zhao Shibin	–	0.48	0.38	0.11	0.97
	1.35	1.91	2.80	0.49	6.55

Notes:

(i) The emoluments of these directors and supervisors were borne by Shenhua Group during the years ended 31 December 2014 and 2013.

(ii) Mr. Zhang Yuzhuo was appointed as the Chief executive on 22 August 2014 and his emoluments disclosed above include those for services rendered by him as the Chief Executive.
Mr. Wang Xiaolin was appointed as executive director on 22 August 2014.
Mr. Wu Ruosi was appointed as non-executive director on 22 August 2014.
Mr. Zhai Richeng was appointed as chairman of the supervisory board on 22 August 2014.
Mr. Shen Lin was appointed as supervisor on 22 August 2014.

(iii) Mr. Zhang Xiwu was resigned as the Chief executive on 5 March 2014.
Mr. Kong Dong was resigned as non-executive director on 22 August 2014.
Mr. Wu Ruosi was resigned as non-executive director on 21 November 2014.
Mr. Sun Wenjian was resigned as chairman of the supervisory board on 22 August 2014.
Mr. Zhao Shibin was resigned as supervisor on 22 August 2014.

11. Employees' Emoluments

Of the five individuals with the highest emoluments within the Group, two (2013: two) were directors of the Company whose emoluments are disclosed in Note 10. The emoluments of the remaining three (2013: three) individuals were as follows:

	Year ended 31 December	
	2014 RMB million	*2013 RMB million*
Basic salaries, housing and other allowances and benefits in kind	**1.37**	1.37
Discretionary bonuses	**1.68**	2.77
Retirement scheme contributions	**0.26**	0.38
	3.31	4.52

Their emoluments were within the following band:

	Year ended 31 December	
	2014	*2013*
HK$1,000,001 to HK$1,500,000	**3**	–
HK$1,500,001 to HK$2,000,000	**–**	3

12. Profit Attributable to Equity Holders of the Company

The consolidated profit attributable to equity holders of the Company includes a profit of RMB9,495 million (2013: RMB5,716 million) 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:

	Year ended 31 December	
	2014 RMB million	*2013 RMB million*
Amount of consolidated profit attributable to equity holders dealt with in the Company's financial statements	**9,495**	5,716
Dividends from subsidiaries and associates attributable to the profits of the previous financial year, approved, paid and payable during the year	**6,669**	68,811
	16,164	74,527

13. Dividends

	Year ended 31 December	
	2014 **RMB million**	*2013* *RMB million*
Dividend approved and paid during the year:		
2013 final – RMB0.91 (2012: RMB0.96) per ordinary share	**18,100**	19,094

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2014 of RMB0.74 (final dividend in respect of the year ended 31 December 2013: RMB0.91) per ordinary share has been proposed by the Directors and is subject to approval by the shareholders in the following general meeting.

14. Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company of RMB38,689 million (2013: RMB45,079 million) and the number of shares in issue during the year of 19,890 million shares (2013: 19,890 million shares).

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

15.Property, Plant and Equipment

The Group

	Land and buildings RMB million	Mining structures and mining rights RMB million	Mining related machinery and equipment RMB million	Generators, related machinery and equipment RMB million	Railway and port RMB million	Vessels RMB million	Coal chemical related machinery and equipment RMB million	Furniture, fixtures, motor vehicles and other equipment RMB million	Total RMB million
COST									
At 1 January 2013	43,385	28,959	57,223	126,595	72,380	1,536	10,122	11,703	351,903
Exchange adjustment	(227)	(3)	–	(17)	–	–	–	(2)	(249)
Additions	786	604	1,289	1,576	706	–	–	342	5,303
Transferred from exploration and evaluation assets	–	115	–	–	–	–	–	–	115
Transferred from construction in progress	2,731	316	3,605	2,626	14,598	3,210	1,957	1,271	30,314
Disposals	(32)	–	(88)	(749)	(1,010)	–	(1)	(62)	(1,942)
Transferred to construction in progress, for overall technical enhancement	–	–	–	(3,242)	–	–	–	–	(3,242)
At 31 December 2013	46,643	29,991	62,029	126,789	86,674	4,746	12,078	13,252	382,202
Exchange adjustment	(91)	–	–	7	–	–	–	–	(84)
Additions	194	313	1,048	186	5,508	97	608	308	8,262
Transferred from construction in progress	6,119	310	3,732	4,668	10,667	2,117	354	3,707	31,674
Transferred from lease prepayments	341	–	–	–	–	–	–	–	341
Transferred from intangible asset	–	–	–	–	–	–	–	23	23
Disposals	(275)	(40)	(2,034)	(545)	(387)	(721)	(33)	(206)	(4,241)
Transferred to construction in progress, for overall technical enhancement	–	–	–	(2,705)	–	–	–	–	(2,705)
At 31 December 2014	52,931	30,574	64,775	128,400	102,462	6,239	13,007	17,084	415,472
DEPRECIATION AND IMPAIRMENT									
At 1 January 2013	10,498	6,372	23,147	34,349	22,450	212	1,456	6,388	104,872
Exchange adjustment	(1)	–	–	(1)	–	–	–	(2)	(4)
Charge for the year	1,815	1,313	5,193	5,793	1,895	199	672	1,304	18,184
Impairment losses	2	–	–	185	–	–	–	–	187
Disposals	(10)	–	(40)	(441)	(598)	–	(1)	(54)	(1,144)
Transferred to construction in progress, for overall technical enhancement	–	–	–	(2,009)	–	–	–	–	(2,009)
At 31 December 2013	12,304	7,685	28,300	37,876	23,747	411	2,127	7,636	120,086
Exchange adjustment	–	–	–	1	–	–	–	–	1
Charge for the year	1,861	1,114	5,211	5,788	2,645	246	657	1,320	18,842
Transferred from lease prepayments	9	–	–	–	–	–	–	–	9
Transferred from intangible asset	–	–	–	–	–	–	–	2	2
Impairment losses	4	–	1	171	18	–	–	8	202
Disposals	(159)	(36)	(1,756)	(414)	(318)	(538)	(17)	(142)	(3,380)
Transferred to construction in progress, for overall technical enhancement	–	–	–	(1,804)	–	–	–	–	(1,804)
At 31 December 2014	14,019	8,763	31,756	41,618	26,092	119	2,767	8,824	133,958
CARRYING VALUES									
At 31 December 2014	38,912	21,811	33,019	86,782	76,370	6,120	10,240	8,260	281,514
At 31 December 2013	34,339	22,306	33,729	88,913	62,927	4,335	9,951	5,616	262,116
At 1 January 2013	32,887	22,587	34,076	92,246	49,930	1,324	8,666	5,315	247,031

15. Property, Plant and Equipment (continued)

The Company

	Buildings RMB million	Mining structures and mining rights RMB million	Mining related machinery and equipment RMB million	Generators related machinery and equipment RMB million	Railway and port RMB million	Furniture, fixtures, motor vehicles other equipment RMB million	Total RMB million
COST							
At 1 January 2013	9,092	19,812	38,337	1,984	24,211	3,680	97,116
Additions	457	52	539	3	1,213	423	2,687
Transferred from construction in progress	463	–	2,556	35	503	94	3,651
Disposals	(133)	–	(316)	–	–	(2)	(451)
Transferred to subsidiaries	(281)	–	–	–	(11,694)	–	(11,975)
At 31 December 2013	9,598	19,864	41,116	2,022	14,233	4,195	91,028
Additions	392	316	333	0	61	478	1,580
Transferred from construction in progress	1,664	–	565	6	1,379	44	3,658
Disposals	(62)	(5)	(1,046)	(3)	(156)	(185)	(1,457)
At 31 December 2014	11,592	20,175	40,968	2,025	15,517	4,532	94,809
DEPRECIATION AND IMPAIRMENT							
At 1 January 2013	1,827	5,199	16,547	315	7,886	2,086	33,860
Charge for the year	496	677	3,032	99	868	853	6,025
Disposals	(97)	–	(284)	–	–	(2)	(383)
Transferred to subsidiaries	(71)	–	–	–	(3,908)	–	(3,979)
At 31 December 2013	2,155	5,876	19,295	414	4,846	2,937	35,523
Charge for the year	654	652	2,438	82	372	670	4,868
Disposals	(38)	(5)	(984)	(2)	(152)	(157)	(1,338)
At 31 December 2014	2,771	6,523	20,749	494	5,066	3,450	39,053
CARRYING VALUES							
At 31 December 2014	8,821	13,652	20,219	1,531	10,451	1,082	55,756
At 31 December 2013	7,443	13,988	21,821	1,608	9,387	1,258	55,505
At 1 January 2013	7,265	14,613	21,790	1,669	16,325	1,594	63,256

The Group's freehold land with a carrying amount of RMB1,088 million (2013: RMB1,100 million) are located in Australia.

The Group was in the process of applying for the title certificates of certain of its properties with an aggregate carrying amount of RMB7,208 million as at 31 December 2014 (2013: RMB5,334 million). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned properties.

15. Property, Plant and Equipment (continued)

Impairment loss of RMB202million was recognised for the year ended 31 December 2014 (2013: RMB187 million), and was recognised in the consolidated statement profit or loss and other comprehensive income as other gains and losses.

As at 31 December 2014, the Group has bank loans to be secured by the Group's assets with carrying amount of RMB1,066 million (2013: RMB2,160 million).

16. Construction in Progress

	The Group		The Company	
	31 December 2014 RMB million	*31 December 2013 RMB million*	**31 December 2014 RMB million**	*31 December 2013 RMB million*
At the beginning of the year	**76,065**	61,737	**9,643**	6,907
Additions	**33,652**	43,556	**3,423**	10,360
Transferred from property, plant and equipment for overall technical enhancement	**901**	1,233	**–**	–
Transferred to property, plant and equipment	**(31,674)**	(30,314)	**(3,658)**	(3,651)
Transferred to subsidiaries	**–**	–	**–**	(3,973)
Disposal	**(45)**	–	**–**	–
Impairment losses	**–**	(147)	**–**	–
Impairment written-off	**25**	–	**–**	–
At the end of the year	**78,924**	76,065	**9,408**	9,643

As at 31 December 2014, the Group is in the process of obtaining requisite permits of certain of its construction in progress from the relevant government authorities. The Directors are of the opinion that the Group will be able to obtain the requisite permits in due course.

No impairment loss was recognised for the year ended 31 December 2014. Impairment loss of RMB147 million was recognised for the year ended 31 December 2013, and was recognised in the consolidated statement profit or loss and other comprehensive income as other gains and losses.

17. Exploration and Evaluation Assets

The movement of the exploration and evaluation assets is as follows:

	The Group	
	31 December 2014 RMB million	*31 December 2013 RMB million*
At the beginning of the year	**2,251**	2,722
Exchange adjustments	**(168)**	(428)
Additions	**129**	72
Transfer to property plant and equipment	**–**	(115)
At the end of the year	**2,212**	2,251

18. Intangible Assets

	The Group		The Company	
	31 December 2014 RMB million	*31 December 2013 RMB million*	**31 December 2014 RMB million**	*31 December 2013 RMB million*
Licenses and franchises	**1,509**	1,446	**127**	84

The movement of intangible assets is as follows:

	The Group		The Company	
	31 December 2014 RMB million	*31 December 2013 RMB million*	**31 December 2014 RMB million**	*31 December 2013 RMB million*
At the beginning of the year	**1,446**	982	**84**	51
Exchange adjustment	**(1)**	–	**–**	–
Additions	**304**	643	**57**	36
Amortisation	**(219)**	(179)	**(14)**	(3)
Transferred to property, plant and equipment	**(21)**	–	**–**	–
At the end of the year	**1,509**	1,446	**127**	84

19. Investments in Subsidiaries

	The Company	
	31 December 2014 RMB million	*31 December 2013 RMB million*
Unlisted shares, at cost	**115,497**	107,129

The Company's subsidiaries are unlisted. Details of the Company's material subsidiaries at the end of the reporting period are set out below:

Name of the subsidiary	*Place of incorporation and operation*	*Type of legal entity*	*Particulars of registered capital*	*Portion of ownership interest and voting rights held by the Group*		*Principal activities*
				31 December 2014 %	*31 December 2013 %*	
Shenhua Sales Group Co., Ltd.	PRC	Limited company	RMB1,705 million	**100**	100	Trading of coal
Shenwan Energy Co., Ltd.	PRC	Limited company	RMB3,846 million	**51**	51	Trading of coal
Shenhua Shendong Coal Group Co., Ltd.	PRC	Limited company	RMB4,989 million	**100**	100	Trading of coal; provision of integrated services
Shenhua Zhunge'er Energy Co., Ltd.	PRC	Limited company	RMB7,102 million	**58**	58	Coal mining and development; generation and sale of electricity
Shenhua Baorixile Energy Industrial Co., Ltd.	PRC	Limited company	RMB1,169 million	**57**	57	Coal mining; provision of transportation services
Shenhua Beidian Shengli Energy Co., Ltd.	PRC	Limited company	RMB2,532 million	**63**	63	Coal mining; provision of transportation services
Shanxi Guohua Jinjie Energy Co., Ltd.	PRC	Limited company	RMB2,278 million	**70**	70	Generation and sale of electricity; coal mining and development
Shenhua Guohua International Power Co., Ltd.	PRC	Limited company	RMB4,010 million	**70**	70	Generation and sale of electricity
Shenhua Shendong Power Co., Ltd.	PRC	Limited company	RMB3,024 million	**100**	100	Generation and sale of electricity
Guangdong Guohua Yuedian Taishan Power Co., Ltd.	PRC	Limited company	RMB4,670 million	**80**	80	Generation and sale of electricity
Zhejiang Guohua Zheneng Power Generation Co., Ltd.	PRC	Limited company	RMB3,255 million	**60**	60	Generation and sale of electricity
Suizhong Power Co., Ltd. (note (i))	PRC	Limited company	RMB4,029 million	**65**	65	Generation and sale of electricity
Hebei Guohua Cangdong Power Co., Ltd.	PRC	Limited company	RMB1,834 million	**51**	51	Generation and sale of electricity
Dingzhou Power (note (ii))	PRC	Limited company	RMB1,561 million	**41**	41	Generation and sale of electricity
Guohua Taicang Power Co., Ltd.	PRC	Limited company	RMB2,000 million	**50**	50	Generation and sale of electricity
Shenhua Sichuan Energy Co., Ltd.	PRC	Limited company	RMB2,152 million	**51**	51	Generation and sale of electricity; trading of coal

19. Investments in Subsidiaries (continued)

Name of the subsidiary	Place of incorporation and operation	Type of legal entity	Particulars of registered capital	Portion of ownership interest and voting rights held by the Group 31 December 2014 %	31 December 2013 %	Principal activities
Shenhua Fujian Energy Co., Ltd.	PRC	Limited company	RMB2,098 million	**100**	100	Generation and sale of electricity
Shuohuang Railway Development Co., Ltd.	PRC	Limited company	RMB5,880 million	**53**	53	Provision of transportation services
Shenhua Baoshen Railway Co., Ltd. (note (v))	PRC	Limited company	RMB2,183 million	**88**	88	Provision of transportation services
Shenhua Xinzhun Railway Co., Ltd. (note (v))	PRC	Limited company	RMB2,536 million	**90**	90	Provision of transportation services
Shenhua Zhunchi Railway Co., Ltd.	PRC	Limited company	RMB4,710 million	**85**	85	Provision of transportation services
Shenhua Ganquan Railway Co., Ltd. (note (v))	PRC	Limited company	RMB2,730 million	**88**	88	Provision of transportation services
Shenhua Huanghua Harbour Administration Co., Ltd.	PRC	Limited company	RMB4,113 million	**70**	70	Provision of harbour and port services
Shenhua Zhonghai Shipping Co., Ltd.	PRC	Limited company	RMB4,100 million	**51**	51	Provision of transportation services
Shenhua Baotou Company Coal Chemical Co., Ltd.	PRC	Limited company	RMB5,132 million	**100**	100	Coal chemical
Shenhua Jiujiang Power Co., Ltd.	PRC	Limited company	RMB50 million	**100**	100	Storage and sales of coal; generation and sale of electricity
Shenhua Finance Co., Ltd. ("Shenhua Finance") (note (iii))	PRC	Limited company	RMB5,000 million	**100**	100	Provision of financial services
China Shenhua Overseas Development & Investment Co., Ltd. (note (iv))	Hong Kong	Limited company	HKD4,500 million	**100**	100	Investment holding
Shenhua Australia Holding Pty Ltd. (note (iv))	Australia	Limited company	AUD400 million	**100**	100	Coal mining and development; generation and sale of electricity
Shenhua Watermark Coal Pty Ltd. (note (iv))	Australia	Limited company	AUD350 million	**100**	100	Coal mining and development; generation and sale of electricity
PT GH EMM Indonesia	Indonesia	Limited company	USD63 million	**70**	70	Coal mining and development; generation and sale of electricity
Shenhua Baoshen Railway Group Co., Ltd. (note (v))	PRC	Limited company	RMB10,000 million	**100**	100	Provision of transportation services

The above table lists subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

19. Investments in Subsidiaries (continued)

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 Company obtained the control over Dingzhou Power through its right to appoint majority members of the board of directors, details of which are set out in Note 4.1.

(iii) The Company's subsidiaries owned 18% (2013: 18%) equity interest in Shenhua Finance. During the year ended 31 December 2013, the Company acquired 1% equity interest in Shenhua Finance from the former non-controlling shareholder for a cash consideration of RMB15 million. After the acquisition, Shenhua Finance became a wholly-owned subsidiary of the Group.

(iv) The Company transferred 100% equity interest in Shenhua Australia Holding Pty Ltd. to China Shenhua Overseas Development & Investment Co., Ltd. at cost during the year ended 31 December 2013. Shenhua Australia Holding Pty Ltd. holds 100% equity interest in Shenhua Watermark Coal Pty Ltd.

(v) The Company transferred all equity interests held in Shenhua Baoshen Railway Co. Ltd., Shenhua Ganquan Railway Co. Ltd. and Shenhua Xinzhuan Railway Co. Ltd. to Shenhua Baoshen Railway Group Co. Ltd., a newly established subsidiary of the Company, at cost during the year ended 31 December 2014.

19. Investments in Subsidiaries (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Name of the subsidiary	Place of incorporation and operation	Proportion of ownership interest and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		31 December 2014 %	31 December 2013 %	Year ended 31 December 2014 RMB million	2013 RMB million	31 December 2014 RMB million	31 December 2013 RMB million
Shenwan Energy Co., Ltd.	PRC	**49**	49	**435**	381	**3,119**	2,346
Shenhua Zhunge'er Energy Co., Ltd.	PRC	**42**	42	**692**	919	**9,357**	8,604
Shenhua Baorixile Energy Industrial Co., Ltd.	PRC	**43**	43	**360**	640	**1,654**	1,638
Hebei Guohua Cangdong Power Co., Ltd.	PRC	**49**	49	**523**	419	**1,551**	1,410
Dingzhou Power	PRC	**59**	59	**595**	433	**1,726**	1,729
Shenhua Sichuan Energy Co., Ltd.	PRC	**49**	49	**72**	22	**1,499**	1,427
Shuohuang Railway Development Co., Ltd.	PRC	**47**	47	**2,879**	3,070	**13,080**	10,312
Shenhua Zhonghai Shipping Co., Ltd.	PRC	**49**	49	**131**	135	**2,899**	2,674
Individually immaterial subsidiaries with non-controlling interests						**34,885**	30,140
						64,355	57,739

19.Investments in Subsidiaries (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

	Shenwan Energy Co., Ltd.		Shenhua Zhunge'er Energy Co., Ltd.		Shenhua Baorixile Energy Industrial Co. Ltd.		Hebei Guohua Cangdong Power Co., Ltd.	
	31 December 2014 RMB million	31 December 2013 RMB million	**31 December 2014 RMB million**	31 December 2013 RMB million	**31 December 2014 RMB million**	31 December 2013 RMB million	**31 December 2014 RMB million**	31 December 2013 RMB million
Current assets	**731**	838	**9,748**	4,351	**1,982**	2,032	**1,332**	1,045
Non-current assets	**10,909**	8,389	**18,991**	21,998	**4,872**	4,057	**6,286**	6,557
Current liabilities	**1,672**	2,791	**5,839**	5,399	**2,535**	2,006	**3,518**	3,627
Non-current liabilities	**3,602**	1,649	**447**	436	**156**	231	**935**	1,098
Total equity	**6,366**	4,787	**22,453**	20,514	**4,163**	3,852	**3,165**	2,877

	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2014 RMB million	2013 RMB million	**2014 RMB million**	2013 RMB million	**2014 RMB million**	2013 RMB million	**2014 RMB million**	2013 RMB million
Revenue	**4,898**	5,263	**10,233**	11,311	**3,789**	4,638	**5,036**	5,024
Expenses	**3,875**	4,332	**8,554**	8,702	**2,853**	2,892	**3,617**	3,581
Profit and total comprehensive income for the year	**888**	778	**1,647**	2,188	**836**	1,489	**1,068**	856
Dividend paid to non-controlling interests	**–**	–	**–**	–	**448**	412	**377**	286
Net cash inflow (outflow) from operating activities	**1,435**	1,490	**2,950**	2,793	**(159)**	152	**1,540**	2,192
Net cash outflow from investing activities	**(2,853)**	(1,778)	**(2,946)**	(2,626)	**(97)**	(207)	**(429)**	(93)
Net cash inflow (outflow) from financing activities	**1,389**	306	**12**	13	**151**	(24)	**(1,314)**	(1,897)
Net cash (outflow) inflow	**(29)**	18	**16**	180	**(105)**	(79)	**(203)**	202

19. Investments in Subsidiaries (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

	Dingzhou Power		Shenhua Sichuan Energy Co., Ltd.		Shuohuang Railway Development Co., Ltd.		Shenhua Zhonghai Shipping Co., Ltd.	
	31 December 2014 RMB million	*31 December 2013 RMB million*	**31 December 2014 RMB million**	*31 December 2013 RMB million*	**31 December 2014 RMB million**	*31 December 2013 RMB million*	**31 December 2014 RMB million**	*31 December 2013 RMB million*
Current assets	**857**	1,068	**2,031**	1,945	**6,967**	2,883	**1,315**	1,860
Non-current assets	**5,437**	5,658	**4,295**	3,978	**27,847**	26,106	**7,066**	6,289
Current liabilities	**2,251**	2,433	**1,486**	1,360	**4,359**	4,386	**1,964**	2,692
Non-current liabilities	**1,117**	1,363	**1,737**	1,616	**2,483**	2,629	**500**	–
Total equity	**2,926**	2,930	**3,103**	2,947	**27,972**	21,974	**5,917**	5,457

	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2014 RMB million	*2013 RMB million*	**2014 RMB million**	*2013 RMB million*	**2014 RMB million**	*2013 RMB million*	**2014 RMB million**	*2013 RMB million*
Revenue	**4,451**	4,623	**1,986**	2,038	**15,912**	16,718	**3,381**	5,087
Expenses	**3,108**	3,391	**1,895**	1,905	**7,928**	8,192	**3,080**	4,725
Profit and total comprehensive income for the year	**1,008**	734	**160**	55	**6,140**	6,545	**267**	276
Dividend paid to non-controlling interests	**597**	336	**2**	–	**75**	1,409	**–**	–
Net cash inflow from operating activities	**1,327**	1,964	**656**	432	**3,739**	5,360	**699**	206
Net cash (outflow) inflow from investing activities	**(54)**	(419)	**293**	659	**(2,249)**	485	**(2,335)**	(1,613)
Net cash (outflow) inflow from financing activities	**(1,273)**	(1,545)	**(171)**	(880)	**(1,147)**	(5,725)	**1,558**	858
Net cash inflow (outflow)	**–**	–	**778**	211	**343**	120	**(78)**	(549)

20. Interest in Associates

	The Group		The Company	
	31 December 2014 RMB million	31 December 2013 RMB million	**31 December 2014 RMB million**	31 December 2013 RMB million
Unlisted shares, at cost	**3,139**	2,931	**1,065**	1,065
Share of net assets	**1,877**	1,935	**–**	–
	5,016	4,866	**1,065**	1,065

The Group's interests in associates are individually and in aggregate not material to the Group's financial position 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 affect the results or assets of the Group:

Name of associate	Type of legal entity	Particulars of registered capital	Proportion of ownership interest and voting power held by the Group		Principal activities
			31 December 2014 %	31 December 2013 %	
Shendong Tianlong Group Co., Ltd.	Limited company	RMB272 million	**20**	20	Coal production
Zhejiang Zheneng Jiahua Power Co., Ltd.	Limited company	RMB3,422 million	**20**	20	Generation and sale of electricity
Sichuan Guangan Power Co., Ltd.	Limited company	RMB1,786 million	**20**	20	Generation and sale of electricity
Guohua (Hebei) Renewables Co., Ltd.	Limited company	RMB1,214 million	**25**	25	Generation and sale of electricity
Tianjin Yuanhua Shipping Co., Ltd.	Limited company	RMB360 million	**44**	44	Provision of transportation services
Inner Mongolia Yili Chemical Industry Co., Ltd.	Limited company	RMB1,139 million	**25**	25	Production and sale of chemicals

21. Available-For-Sale Investments

Available-for-sale investments represent investment in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

22. Other Non-Current Assets

	The Group		The Company	
	31 December 2014 RMB million	31 December 2013 RMB million	**31 December 2014 RMB million**	31 December 2013 RMB million
Prepayments in connection with construction work, equipment purchases and others (note (i))	**9,742**	10,300	**1,540**	1,542
Prepayment for mining projects	**8,000**	7,000	**8,000**	7,000
Long-term receivable	**2,500**	2,500	**2,500**	2,500
Loans to Shenhua Group and fellow subsidiaries (note (ii))	**7,312**	3,453	**–**	–
Long-term entrusted loans (note (iii))	**627**	627	**20,688**	10,130
Long-term loans to subsidiaries	**–**	–	**–**	1,379
Goodwill	**962**	962	**–**	–
Long-term receivable from a subsidiary	**–**	–	**16,002**	13,899
Others	**3,280**	3,306	**1,809**	1,987
	32,423	28,148	**50,539**	38,437

Notes:

(i) At 31 December 2014, the Group and the Company had prepayments to fellow subsidiaries amounting to RMB84 million (2013: RMB33 million) and nil (2013: Nil) respectively.

(ii) The loans to Shenhua Group and fellow subsidiaries bear interest at rates ranging from 5.04% to 5.54% per annum (2013: 5.54% to 5.90% per annum) and are receivable within two to ten years.

(iii) The Group has long-term entrusted loan to an associate through a PRC state-owned bank, which bears interest at rates 6.40% per annum (2013: 6.40% per annum) and are receivable within three years.

The Company has long-term entrusted loans to subsidiaries through PRC state-owned banks and Shenhua Finance, which bear interest at rates ranging from 4.92% to 6.00% per annum (2013: 5.23% to 5.66% per annum) and are receivable within ten years.

22. Other Non-Current Assets (continued)

Included in other non-current assets are the following amounts denominated in a currency other than the functional currency of the Company:

	The Group		The Company	
	31 December 2014 RMB million	*31 December 2013 RMB million*	**31 December 2014 RMB million**	*31 December 2013 RMB million*
United States Dollars ("USD")	**–**	–	**–**	513
Australian Dollars ("AUD")	**–**	–	**–**	866

23. Lease Prepayments

Lease prepayments represent land use rights paid to the PRC's government authorities. The Group is in the process of applying for the title certificates of certain land use rights with an aggregate carrying amount of RMB1,477 million as at 31 December 2014 (2013: RMB1,829 million), of which RMB117 million were newly acquired in 2014. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned lands.

The Group's and the Company's lease prepayments are under medium-term leases, and are included in non-current assets.

24. Inventories

	The Group		The Company	
	31 December 2014 RMB million	*31 December 2013 RMB million*	**31 December 2014 RMB million**	*31 December 2013 RMB million*
Coal	**4,246**	5,246	**74**	76
Materials and supplies	**9,817**	10,449	**5,342**	5,713
Others (note)	**1,727**	1,946	**–**	–
	15,790	17,641	**5,416**	5,789

Note: Others mainly represent properties held for sale and properties under development.

25. Accounts and Bills Receivable

	The Group		The Company	
	31 December 2014 RMB million	*31 December 2013 RMB million*	**31 December 2014 RMB million**	*31 December 2013 RMB million*
Accounts receivable				
– Shenhua Group and fellow subsidiaries	**2,627**	2,087	**63**	276
– Subsidiaries	**–**	–	**15,356**	8,178
– Associates	**328**	138	**3**	3
– Third parties	**20,845**	19,866	**211**	195
	23,800	22,091	**15,633**	8,652
Less: allowance for doubtful debts	**(54)**	(48)	**(3)**	(3)
	23,746	22,043	**15,630**	8,649
Bills receivable	**6,168**	5,178	**501**	314
	29,914	27,221	**16,131**	8,963

Bills receivable were issued by PRC banks and are expiring within six months. As at 31 December 2014, the bills receivable with the carrying amounts of RMB1,086 million (2013: RMB1,500 million) (see Note 31) and RMB200 million (2013: RMB237 million) (see Note 29) were pledged to secure bills payable and borrowings granted to the Group, respectively.

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

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

	The Group		The Company	
	31 December 2014 RMB million	*31 December 2013 RMB million*	**31 December 2014 RMB million**	*31 December 2013 RMB million*
Less than one year	**29,591**	26,988	**15,909**	8,675
One to two years	**267**	159	**186**	285
Two to three years	**55**	67	**35**	2
More than three years	**1**	7	**1**	1
	29,914	27,221	**16,131**	8,963

25. Accounts and Bills Receivable (continued)

The movement of allowance for doubtful debts was as follows:

	The Group		The Company	
	31 December 2014 RMB million	31 December 2013 RMB million	**31 December 2014 RMB million**	31 December 2013 RMB million
At the beginning of the year	**48**	93	**3**	3
Impairment loss:				
– recognised	**8**	36	**–**	–
– amounts recovered	**–**	(42)	**–**	–
Written off	**(2)**	(39)	**–**	–
At the end of the year	**54**	48	**3**	3

The aging analysis of accounts and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	The Group		The Company	
	31 December 2014 RMB million	31 December 2013 RMB million	**31 December 2014 RMB million**	31 December 2013 RMB million
Neither past due nor impaired	**23,226**	26,034	**14,679**	8,433
Less than one year past due	**6,365**	954	**1,230**	242
One to two years past due	**267**	159	**186**	285
Two to three years past due	**55**	67	**35**	2
More than three years past due	**1**	7	**1**	1
	29,914	27,221	**16,131**	8,963

Receivables that were not overdue or unimpaired 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, which the Group does not hold any collateral over these balances. Based on past experience, the management believes that no impairment 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.

25. Accounts and Bills Receivable (continued)

Included in accounts and bills receivable are the following amounts denominated in a currency other than the functional currency of the Company:

	The Group		The Company	
	31 December 2014 RMB million	*31 December 2013 RMB million*	**31 December 2014 RMB million**	*31 December 2013 RMB million*
USD	**555**	425	**–**	–

Transfer of financial assets

As at 31 December 2014, the Group endorsed bills receivable amounting to RMB5,461 million (2013: RMB2,711 million) to suppliers to settle the accounts payable of same amounts and discounted bills receivables amounting to RMB170 million (2013: RMB127 million) to banks. In accordance to the relevant laws in the PRC, the holders of the bills receivable have a right of recourse against the Group if the issuing banks default payment. In the opinion of the Directors, the Group has transferred substantially all the risks and rewards of ownership relating to these bills receivable, and accordingly derecognised the full carrying amounts of the bills receivable and associated accounts payables, in case of bills receivable endorsed to suppliers and recognised the cash received, in case of bills receivables discounted to banks.

The maximum exposure to loss from the Group's continuing involvement, if any, in the endorsed and discounted bills receivable equals to their carrying amounts. In the opinion of the Directors, the fair values of the Group's continuing involvement in the derecognised bills receivable are not significant.

26. Prepaid Expenses and Other Current Assets

	The Group		The Company	
	31 December 2014 RMB million	*31 December 2013 RMB million*	**31 December 2014 RMB million**	*31 December 2013 RMB million*
Fair value of derivative financial instruments	**43**	106	**43**	106
Debt securities	**399**	389	**–**	–
Prepaid expenses and deposits	**9,566**	8,244	**1,346**	1,822
Loans and advances to Shenhua Group and fellow subsidiaries (note (i))	**10,074**	13,936	**7**	163
Amounts due from associates (note (ii))	**92**	50	**–**	–
Amounts due from subsidiaries (note (iii))	**–**	–	**51,040**	54,236
Advances to staff	**1**	3	**–**	–
Other receivables	**9,256**	7,546	**3,268**	1,413
	29,431	30,274	**55,704**	57,740

26. Prepaid Expenses and Other Current Assets (continued)

Notes:

(i) At 31 December 2014, the Group had loans to Shenhua Group and fellow subsidiaries amounting to RMB9,758 million (2013: RMB13,624 million), which bear interest at rates ranging from 5.04% to 5.40% per annum (2013: 5.40% to 5.90% per annum). The remaining balances are unsecured, interest-free and have no fixed terms of repayment.

(ii) At 31 December 2013, the Group had entrusted loans to an associate through a PRC state-owned bank amounting to RMB30 million, which bear interest at rates of 5.60% per annum, and the loans were repaid in 2014. The remaining balances are unsecured, interest-free and have no fixed terms of repayment.

(iii) At 31 December 2014, the Company had entrusted loans to subsidiaries amounting to RMB43,082 million (2013: RMB44,167 million), which bear interest at rates ranging from 0.50% to 5.88% per annum (2013: 0.50% to 6.21% per annum). The remaining balances are unsecured, interest-free and have no fixed terms of repayment.

Included in other current assets are the following amounts denominated in a currency other than the functional currency of the Company:

	The Group		The Company	
	31 December 2014 RMB million	*31 December 2013 RMB million*	**31 December 2014 RMB million**	*31 December 2013 RMB million*
United States Dollars ("USD")	**–**	–	**533**	–
Australian Dollars ("AUD")	**–**	–	**836**	–

27. Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position of the Group and the Company 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 Company:

	The Group		The Company	
	31 December 2014 RMB million	*31 December 2013 RMB million*	**31 December 2014 RMB million**	*31 December 2013 RMB million*
USD	**1,311**	361	**–**	–
Hong Kong Dollars ("HKD")	**1**	2	**–**	–
AUD	**13**	24	**–**	–
Indonesian Rupiah	**11**	25	**–**	–
Russian Ruble	**3**	5	**–**	–
European Dollars	**21**	–	**–**	–

28. Deferred Taxation

	The Group		The Company	
	31 December 2014 RMB million	*31 December 2013 RMB million*	**31 December 2014 RMB million**	*31 December 2013 RMB million*
Deferred tax assets	**2,042**	1,723	**–**	–
Deferred tax liabilities	**(1,130)**	(1,265)	**(265)**	(375)
	912	458	**(265)**	(375)

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior year:

The Group

	At 1 January 2014 RMB million	***(Charged) credited in profit or loss RMB million***	***At 31 December 2014 RMB million***
Allowances, primarily for receivables and inventories	**202**	**60**	**262**
Property, plant and equipment	**(112)**	**134**	**22**
Lease prepayments	**(172)**	**14**	**(158)**
Tax losses carried forward	**237**	**(37)**	**200**
Tax allowable expenses not yet incurred	**(519)**	**190**	**(329)**
Unrealised profits from sales within the Group	**548**	**182**	**730**
Accrued salaries and other expenses not yet paid	**229**	**(89)**	**140**
Others	**45**	**–**	**45**
Net deferred tax assets	**458**	**454**	**912**

	At 1 January 2013 RMB million	*(Charged) credited in profit or loss RMB million*	*At 31 December 2013 RMB million*
Allowances, primarily for receivables and inventories	115	87	202
Property, plant and equipment	(180)	68	(112)
Lease prepayments	(179)	7	(172)
Tax losses carried forward	186	51	237
Tax allowable expenses not yet incurred	(624)	105	(519)
Unrealised profits from sales within the Group	305	243	548
Accrued salaries and other expenses not yet paid	237	(8)	229
Pre-operating expenses written off	14	(14)	–
Others	82	(37)	45
Net deferred tax (liabilities) assets	(44)	502	458

28. Deferred Taxation (continued)

The Company

	At 1 January 2014 RMB million	(Charged) credited in profit or loss RMB million	At 31 December 2014 RMB million
Allowances, primarily for receivables and inventories	**42**	**27**	**69**
Property, plant and equipment	**(37)**	**(1)**	**(38)**
Tax allowable expenses not yet incurred	**(436)**	**107**	**(329)**
Accrued salaries and other expenses not yet paid	**154**	**(90)**	**64**
Others	**(98)**	**67**	**(31)**
Net deferred tax (liabilities) assets	**(375)**	**110**	**(265)**

	At 1 January 2013 RMB million	(Charged) credited in profit or loss RMB million	At 31 December 2013 RMB million
Allowances, primarily for receivables and inventories	42	–	42
Property, plant and equipment	(59)	22	(37)
Tax allowable expenses not yet incurred	(448)	12	(436)
Accrued salaries and other expenses not yet paid	155	(1)	154
Others	(19)	(79)	(98)
Net deferred tax (liabilities) assets	(329)	(46)	(375)

At 31 December 2014, the Group has unused tax losses of RMB3,285 million (2013: RMB2,182 million) available for offset against future profits that may be carried forward. At 31 December 2014, unused tax losses will be due within from one to five years.

At 31 December 2014, the Group has unrecognised deductible temporary differences of RMB833 million (2013: RMB533 million).

29. Borrowings

An analysis of the Group's and the Company's borrowings is as follows:

	The Group		The Company	
	31 December 2014 RMB million	31 December 2013 RMB million	**31 December 2014 RMB million**	31 December 2013 RMB million
Current borrowings:				
Short-term bank and other borrowings	**12,246**	28,155	**14,020**	29,180
Current portion of long-term borrowings	**5,084**	10,348	**226**	610
	17,330	38,503	**14,246**	29,790
Non-current borrowings:				
Long-term borrowings, less current portion	**38,726**	37,084	**4,008**	4,554
	56,056	75,587	**18,254**	34,344
Secured	**9,430**	11,217	**–**	–
Unsecured	**46,626**	64,370	**18,254**	34,344
	56,056	75,587	**18,254**	34,344
The exposure of the long-term borrowings and the contractual maturity dates:				
Within one year	**5,084**	10,348	**226**	610
More than one year, but not exceeding two years	**5,682**	5,152	**1,727**	255
More than two years, but not exceeding five years	**9,889**	12,995	**453**	2,265
More than five years	**23,155**	18,937	**1,828**	2,034
	43,810	47,432	**4,234**	5,164

The Group's short-term borrowings are unsecured and bear interest at rates ranging from 2.43% to 6.50% per annum (2013: 4.25% to 7.50% per annum).

29. Borrowings (continued)

The Group's and the Company's long-term borrowings comprise:

		The Group		The Company	
		31 December 2014 RMB million	31 December 2013 RMB million	**31 December 2014 RMB million**	31 December 2013 RMB million
Loans from banks and other institutions					
Renminbi denominated	Interest rates ranging from 3.27% to 6.55% per annum with maturities through 3 February 2028	**38,803**	41,631	**1,673**	2,029
USD denominated	Interest rates ranging from 3 months LIBOR+0.25% to LIBOR+2.80% per annum with maturities through 22 June 2023	**2,348**	2,453	**–**	–
Japanese Yen ("JPY") denominated	Interest rates ranging from 1.80% to 2.60% per annum with maturities through 20 March 2031	**2,561**	3,207	**2,561**	3,135
Euro ("EUR") denominated	Interest rate at 2.50% per annum with maturities through 22 June 2017	**98**	141	**–**	–
		43,810	47,432	**4,234**	5,164
Less: current portion of long-term borrowings		**5,084**	10,348	**226**	610
		38,726	37,084	**4,008**	4,554

At 31 December 2014, the Group and the Company had entrusted loans from Shenhua Group and fellow subsidiaries amounting to RMB2,174 million (2013: RMB6,774 million) and RMB174 million (2013: RMB174 million) respectively.

Certain borrowings are secured over certain property, plant and equipment with a carrying amount of RMB1,066 million (2013: RMB2,160 million) (see Note 15), bills receivables of RMB200 million (2013: RMB237 million) (see Note 25), certain future power revenue to be generated by the Group and a guarantee by a non-controlling shareholder of a subsidiary.

Included in borrowings are the following amounts denominated in a currency other than the functional currency of the Company:

	The Group		The Company	
	31 December 2014 RMB million	31 December 2013 RMB million	**31 December 2014 RMB million**	31 December 2013 RMB million
USD	**2,501**	2,453	**–**	–
AUD	**100**	109	**–**	–
JPY	**2,561**	3,207	**2,561**	3,135
EUR	**98**	141	**–**	–

30. Short-Term Debentures and Medium-Term Notes

On 11 September 2013, the Company was granted approvals to issue unsecured short-term debentures totaling RMB20,000 million and unsecured medium-term debentures totaling RMB25,000 million. Both are available for issuance under the similar terms at the Company's decision, for the purpose of repayment of the borrowings and replenishment of working capital, before 11 September 2015.

On 13 September 2013, the Company issued short-term debentures bearing interest rate of 4.63% per annum with proceeds of RMB10,000 million, and were repaid on 13 June 2014.

On 7 March 2014, the Company issued short-term debentures bearing interest rate of 5.1% per annum with proceeds of RMB5,000 million, and were repaid on 5 December 2014.

On 10 March 2014, the Company issued short-term debentures bearing interest rate of 4.95% per annum with proceeds of RMB5,000 million, and were paid on 7 September 2014.

On 16 June 2014, the Company issued short-term debentures bearing interest rate of 4.73% per annum with proceeds of RMB10,000 million, and payable together with accrued interest on 14 March 2015.

The effective interest rate of the short-term debentures as at 31 December 2014 is 4.74% (2013: 4.64%) per annum.

On 7 November 2013, the Company issued medium-term notes with proceeds of RMB5,000 million and are repayable on 11 November 2018. The notes bear interest rate of 5.49% per annum, repayable annually. The effective interest rate is 5.69% per annum.

On 19 August 2014, the Company issued medium-term notes with proceeds of RMB10,000 million and are payable on 21 August 2017. The notes bear interest rate of 5.10% per annum, repayable annually. The effective interest rate is 5.17% per annum.

On 16 September 2014, the Company issued medium-term notes with proceeds of RMB10,000 million and are payable on 18 September 2017. The notes bear interest rate of 5.04% per annum, repayable annually. Its effective interest rate is 5.11% per annum.

31. Accounts and Bills Payable

	The Group		***The Company***	
	31 December 2014 RMB million	*31 December 2013 RMB million*	***31 December 2014 RMB million***	*31 December 2013 RMB million*
Accounts payable				
– Shenhua Group, an associate of Shenhua Group and fellow subsidiaries	**2,166**	1,327	**320**	194
– Associates	**357**	889	**168**	588
– Subsidiaries	**–**	–	**2,886**	2,739
– Third parties	**31,376**	34,183	**6,778**	5,557
	33,899	36,399	**10,152**	9,078
Bills payable	**4,387**	1,401	**145**	–
	38,286	37,800	**10,297**	9,078

31. Accounts and Bills Payable (continued)

As at 31 December 2014, some bills payable were secured by bills receivable held by the Group (see Note 25).

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

	The Group		The Company	
	31 December 2014 RMB million	*31 December 2013 RMB million*	**31 December 2014 RMB million**	*31 December 2013 RMB million*
Less than one year	**29,613**	33,126	**8,518**	7,598
One to two years	**7,171**	2,613	**1,197**	1,302
Two to three years	**932**	1,436	**420**	85
More than three years	**570**	625	**162**	93
	38,286	37,800	**10,297**	9,078

Included in accounts and bills payable are the following amounts denominated in a currency other than the functional currency of the Company:

	The Group		The Company	
	31 December 2014 RMB million	*31 December 2013 RMB million*	**31 December 2014 RMB million**	*31 December 2013 RMB million*
USD	**651**	1,235	**113**	129
EUR	**85**	5	**5**	5
AUD	**4**	10	**–**	–
HKD	**1**	1	**–**	–
GBP	**15**	–	**–**	–

32. Accrued Expenses and Other Payables

	The Group		The Company	
	31 December 2014 RMB million	*31 December 2013 RMB million*	**31 December 2014 RMB million**	*31 December 2013 RMB million*
Accrued staff wages and welfare benefits	**3,252**	4,222	**1,324**	2,180
Accrued interest payable	**779**	411	**642**	179
Taxes payable other than income tax	**3,623**	3,578	**1,489**	1,738
Dividends payable	**1,501**	2,537	**–**	–
Receipts in advances	**4,386**	4,601	**56**	52
Deposits from Shenhua Group and fellow subsidiaries (note (i))	**19,062**	20,963	**–**	–
Amounts due to subsidiaries (note (ii))	**–**	–	**47,077**	25,145
Other accrued expenses and payables	**7,751**	6,380	**2,218**	2,495
	40,354	42,692	**52,806**	31,789

32. Accrued Expenses and Other Payables (continued)

Notes:

(i) At 31 December 2014, deposits from Shenhua Group and fellow subsidiaries bore interest at 0.42% to 1.62% per annum (2013: 0.39% to 1.49% per annum).

(ii) Amounts due to subsidiaries amounting to RMB46,618 million (2013: RMB20,493 million) are unsecured, bearing interest at 1.15% per annum (2013: 1.39% per annum) and repayable on demand. The remaining balances are unsecured, interest-free and have no fixed term of repayment.

(iii) Other accrued expenses and payables of the Group and the Company include:

	The Group		The Company	
	31 December 2014 RMB million	31 December 2013 RMB million	**31 December 2014 RMB million**	31 December 2013 RMB million
Amounts due to Shenhua Group and fellow subsidiaries	**968**	945	**110**	3
Amounts due to associates	**38**	26	**29**	11
	1,006	971	**139**	14

The above balances are unsecured, interest-free and has no fixed terms of repayments.

33. Long-Term Payables

	The Group		The Company	
	31 December 2014 RMB million	31 December 2013 RMB million	**31 December 2014 RMB million**	31 December 2013 RMB million
Payables for acquisition of mining rights (note (i))	**1,527**	1,733	**1,332**	1,484
Others	**299**	445	**54**	48
	1,826	2,178	**1,386**	1,532
Analysed for reporting purpose as:				
Current liabilities	**280**	311	**236**	247
Non-current liabilities	**1,546**	1,867	**1,150**	1,285
	1,826	2,178	**1,386**	1,532

Notes:

(i) Long-term payables mainly represent payables for acquisition of mining rights which are to be settled over the period of production 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 in the acquisition agreements.

34. Accrued Reclamation Obligations

	The Group		The Company	
	31 December 2014 RMB million	*31 December 2013 RMB million*	**31 December 2014 RMB million**	*31 December 2013 RMB million*
At the beginning of the year	**1,973**	1,921	**1,051**	988
Accretion expense	**156**	129	**55**	63
Decrease	**(27)**	(77)	**–**	–
At the end of the year	**2,102**	1,973	**1,106**	1,051

35. Share Capital

	31 December 2014 RMB million	*31 December 2013 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

All A shares and H shares rank pari passu in all material aspects.

36. Reserves of the Company

	Share premium RMB million	Statutory reserves RMB million	Capital and other reserves RMB million	Retained earnings RMB million	Total RMB million
At 1 January 2013	85,001	15,252	1,628	55,016	156,897
Profit for the year	–	–	–	74,527	74,527
Total comprehensive income for the year	–	–	–	74,527	74,527
Dividend declared (Note 13)	–	–	–	(19,094)	(19,094)
Appropriation of maintenance and production funds	–	3,382	–	(3,382)	–
Utilisation of maintenance and production funds	–	(4,798)	–	4,798	–
At 31 December 2013	85,001	13,836	1,628	111,865	212,330
Profit for the year	–	–	–	16,164	16,164
Total comprehensive income for the year	–	–	–	16,164	16,164
Dividend declared (Note 13)	–	–	–	(18,100)	(18,100)
Appropriation of maintenance and production funds	–	4,701	–	(4,701)	–
Utilisation of maintenance and production funds	–	(3,991)	–	3,991	–
Others	–	–	53	–	53
At 31 December 2014	85,001	14,546	1,681	109,219	210,447

According to the Company's Articles of Association, the amount of retained earnings available for distribution to equity holders 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 2014, the aggregate amount of retained earnings determined in accordance with the China Accounting Standards available for distribution to equity holders of the Company was RMB103,614million (2013: RMB107,284 million).

37. Capital Risk 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 2014 was 33% (2013: 35%).

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.

38. Financial Instruments

38.1 Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are set out as follows:

	The Group		The Company	
	31 December 2014 RMB million	31 December 2013 RMB million	**31 December 2014 RMB million**	31 December 2013 RMB million
Financial assets				
Available-for-sale investments	**1,795**	1,032	**1,647**	885
Loans and receivables (including cash and cash equivalents)	**99,278**	96,883	**129,171**	129,396
Debt securities classified as held for trading financial assets	**399**	389	**–**	–
Derivative financial instruments	**43**	106	**43**	106
Financial liabilities				
Amortised cost	**163,182**	164,599	**116,071**	89,600

38.2 Financial risk management objectives and policies

The Group's and the Company's major financial instruments include accounts and bills receivable, loans and advances to/deposits from/amounts due to Shenhua Group and fellow subsidiaries, amounts due from/to associates, other receivables, accounts and bills payables, borrowings, long-term payables, short-term debentures and medium-term notes. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate and currency risks), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

38. Financial Instruments (continued)

38.2 Financial risk management objectives and policies (continued)

Market risk

(i) Currency risk

The functional currency of most of the Group's entities is RMB in which most of the transactions are denominated. However, certain of the Group's borrowings, receivables, bank balances and payables are denominated in foreign currencies. The Group entered into cross currency interest rate swaps with bank with high credit ratings assigned by international credit-rating agencies in respect of its borrowing denominated in JPY in order to mitigate the risk from the fluctuation of JPY against RMB, and the carrying amounts are set out in Note 26.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	The Group			
	Liabilities		**Assets**	
	31 December 2014 RMB million	*31 December 2013 RMB million*	**31 December 2014 RMB million**	*31 December 2013 RMB million*
United States Dollars	**3,152**	3,688	**1,866**	969
Japanese Yen	**2,561**	3,207	**–**	–
Other currencies	**303**	152	**49**	114

	The Company			
	Liabilities		**Assets**	
	31 December 2014 RMB million	*31 December 2013 RMB million*	**31 December 2014 RMB million**	*31 December 2013 RMB million*
United States Dollars	**113**	129	**533**	513
Japanese Yen	**2,561**	3,135	**–**	–
Other currencies	**5**	5	**836**	866

38.Financial Instruments (continued)

38.2 Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The following table details the Group and the Company's sensitivity to a 10% increase or decrease in exchange rate of each foreign currency against RMB, while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the end of the reporting period.

The Group

	USD		JPY		Other currencies	
	31 December 2014 RMB million	31 December 2013 RMB million	**31 December 2014 RMB million**	31 December 2013 RMB million	**31 December 2014 RMB million**	31 December 2013 RMB million
(Decrease) increase in profit for the year:						
– if RMB weakens against foreign currencies	**(96)**	(196)	**(192)**	(241)	**(19)**	(3)
– if RMB strengthens against foreign currencies	**96**	196	**192**	241	**19**	3

The Company

	USD		JPY		Other currencies	
	31 December 2014 RMB million	31 December 2013 RMB million	**31 December 2014 RMB million**	31 December 2013 RMB million	**31 December 2014 RMB million**	31 December 2013 RMB million
(Decrease) increase in profit for the year:						
– if RMB weakens against foreign currencies	**31**	29	**(192)**	(235)	**62**	65
– if RMB strengthens against foreign currencies	**(31)**	(29)	**192**	235	**(62)**	(65)

38. Financial Instruments (continued)

38.2 Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

The Group and the Company are exposed to fair value interest rate risk in relation to fixed-rate loan receivables, borrowings and short-term debenture and medium-term notes (Notes 22, 29 and 30). The Group aims at keeping borrowings at variable rates. In order to achieve this result, the Group entered into cross currency interest rate swaps to hedge against its exposures to changes in fair values of the borrowings (Note 26).

The Group and the Company are also exposed to cash flow interest rate risk in relation to variable-rate borrowings and variable-rate loans and receivables (Notes 29 and 26). It is the Group and the Company's policy to keep their borrowings and loans and receivables at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's and the Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate borrowings and variable-rate loans and receivables at the end of the reporting period. No sensitivity analysis has been presented for the exposure to interest rates for bank balances as the management of the Group considers that, taking into account that the fluctuation in interest rates on bank balances is minimal, the impact of profit or loss for the year is insignificant.

The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year and excluding the interest expected to be capitalised.

If interest rates had been 100 basis points (2013: 100 basis points) higher/lower and all other variables were held constant:

- The Group's profit for the year ended 31 December 2014 would decrease/increase by RMB185 million (2013: increase/decrease by RMB105 million).
- The Company's profit for the year ended 31 December 2014 would increase/decrease by RMB399 million (2013: RMB492 million)

38. Financial Instruments (continued)

38.2 Financial risk management objectives and policies (continued)

Credit risk

As at 31 December 2014, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liability in relation to the financial guarantees provided by the Group and the Company's as disclosed in Note 41.3.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt on regular basis and at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In respect of the risk arising from the provision of financial guarantees, the management of the Group continuously monitors the credit quality and financial conditions of the guaranteed parties that the Group issued financial guarantee contracts in favor of to ensure that the Group will not suffer significant credit losses as a result of the failure of the guaranteed parties on the repayment of the relevant loans. In this regard, the Directors consider that the Group's and the Company's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Accounts receivables consist of a large number of customers, which spread across diverse industries and located in the PRC.

Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligation as they fall due. The 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 maturity of the Group's and the Company's financial liabilities at the end of the reporting period, 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 and the Company can be required to pay:

38. Financial Instruments (continued)

38.2 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The Group

	31 December 2014						
	Weighted average interest rate %	***On demand or less than 1 year RMB million***	***1-2 years RMB million***	***2-5 years RMB million***	***More than 5 years RMB million***	***Total undiscounted cash flows RMB million***	***Total carrying amount RMB million***
Financial liabilities							
Accounts and bills payable, accrued expenses, other payables and long-term payables		**70,978**	**280**	**636**	**372**	**72,266**	**72,199**
Borrowings	**5.4**	**20,392**	**7,600**	**14,896**	**28,810**	**71,698**	**56,056**
Debentures and notes	**5.0**	**11,644**	**1,289**	**26,184**	**–**	**39,117**	**34,927**
		103,014	**9,169**	**41,716**	**29,182**	**183,081**	**163,182**

	31 December 2013						
	Weighted average interest rate %	*On demand or less than 1 year RMB million*	*1-2 years RMB million*	*2-5 years RMB million*	*More than 5 years RMB million*	*Total undiscounted cash flows RMB million*	*Total carrying amount RMB million*
Financial liabilities							
Accounts and bills payable, accrued expenses, other payables and long-term payables		72,698	298	725	424	74,145	74,072
Borrowings	5.4	42,662	7,177	17,540	22,912	90,291	75,587
Debentures and notes	4.9	10,617	275	5,824	–	16,716	14,940
		125,977	7,750	24,089	23,336	181,152	164,599

38. Financial Instruments (continued)

38.2 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The Company

	31 December 2014						
	Weighted average interest rate %	**On demand or less than 1 year RMB million**	**1-2 years RMB million**	**2-5 years RMB million**	**More than 5 years RMB million**	**Total undiscounted cash flows RMB million**	**Total carrying amount RMB million**
Financial liabilities							
Accounts and bills payable, accrued expenses, other payables and long-term payables		**61,957**	**205**	**544**	**347**	**63,053**	**62,890**
Borrowings	**4.8**	**15,025**	**1,862**	**596**	**2,131**	**19,614**	**18,254**
Debentures and notes	**5.0**	**11,644**	**1,289**	**26,184**	**–**	**39,117**	**34,927**
		88,626	**3,356**	**27,324**	**2,478**	**121,784**	**116,071**

	31 December 2013						
	Weighted average interest rate %	*On demand or less than 1 year RMB million*	*1-2 years RMB million*	*2-5 years RMB million*	*More than 5 years RMB million*	*Total undiscounted cash flows RMB million*	*Total carrying amount RMB million*
Financial liabilities							
Accounts and bills payable, accrued expenses, other payables and long-term payables		39,079	232	613	392	40,316	40,316
Borrowings	5.1	30,991	403	2,526	2,375	36,295	34,344
Debentures and notes	4.9	10,617	275	5,824	–	16,716	14,940
		80,687	910	8,963	2,767	93,327	89,600

Saved as discussed above, the Group also makes use of banks and financial institutions facilities as one of the effective sources of liquidity.

The maximum liability of financial guarantees issued by the Group and the Company are disclosed in Note 41.3.

38. Financial Instruments (continued)

38.3 Fair value measurements

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

As of 31 December 2014, the Group has trading debt securities and cross currency interest rate swaps (all classified as held for trading financial instruments) measured at fair value of RMB399million (2013: RMB389 million) and RMB43 million (2013: RMB106 million), respectively.

The Level 1 fair value of trading debt securities is measured at quoted bid prices in the relevant active market.

The Level 2 fair value of the cross currency interest rate swaps is measured using discounted cash flow method where the future cash flows are estimated based on forward foreign currency and interest rates from observable yield curves at the end of the reporting period and contracted exchange rate and interest rate, discounted at a rate that reflects the credit risk of various relevant counterparties.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values:

	At 31 December 2014		*At 31 December 2013*	
	Carrying amount RMB million	***Fair value RMB million***	*Carrying amount RMB million*	*Fair value RMB million*
Financial liabilities:				
Fixed rate bank borrowings	**11,814**	**12,386**	17,142	16,860
Fixed rate medium-term notes	**24,933**	**25,290**	4,958	4,878

The fair values of financial liabilities above included in the Level 2 categories is measured using discounted cash flow method where the future cash flows are estimated based on the contract and discounted at a rate that reflects the credit risk of various relevant counter parties.

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 six (2013: six) reportable segments. No operating segments have been aggregated to form the following reportable segments.

(1) Coal operations – which produce coal from surface and underground mines, and the sale of coal to external customers, the power operations segment and the coal chemical operations segment. The Group sells its coal under long-term supply contracts, which allow periodical price adjustments, and at spot market.

(2) Power operations – which use coal from the coal operations segment and external suppliers, wind power, water power and gas power to generate electric power for the sale to coal operations segment and external customers. Planned power output and the excess are sold to the power grid companies at the tariff rates approved by the relevant government authorities and to power grid companies at generally lower than the tariff rates, respectively.

(3) Railway operations – which provide railway transportation services to the coal operations segment, the power operations segment, the coal chemical operations segment and external customers. The rates of freight charges billed to the coal operations segment, the power operations segment, the coal chemical operations segment and external customers are consistent and do not exceed the maximum amounts approved by the relevant government authorities.

(4) Port operations – which provide loading, transportation and storage services to the coal operations 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 provide shipment transportation services to the power operations segment, the coal operations segment and external customers. The rates of freight charges billed to the power operations segment, the coal operations segment and external customers are consistent.

(6) Coal chemical operations – which use coal from the coal operations segment to first produce methanol and further process into polyethylene and polypropylene, together with other by-products, for sale to external customers.

39.1 Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment based on profit before income tax ("reportable segment profit"). Segment profit represents the profit earned by each segment without allocation of head office and corporate items. Inter-segment sales are primarily charged at prevailing market rate which are the same as those charged to external customers. The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3.

39. Segment and Other Information (continued)

39.1 Segment results (continued)

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 2014 and 2013 is set out below.

	Coal		Power		Railway		Port		Shipping		Coal chemical		Segment total	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Revenue from external customers	163,505	192,176	72,967	78,436	3,222	3,278	299	159	1,300	3,045	5,878	5,990	247,171	283,084
Inter-segment revenue	28,765	37,166	356	472	27,404	26,691	3,877	3,579	1,734	2,042	2	–	62,138	69,950
Reportable segment revenue	192,270	229,342	73,323	78,908	30,626	29,969	4,176	3,738	3,034	5,087	5,880	5,990	309,309	353,034
Reportable segment profit	25,484	35,994	18,583	17,002	14,663	13,875	1,344	1,479	341	369	1,142	1,258	61,557	69,977
Including:														
Interest expenses	1,025	471	1,459	2,025	240	244	432	265	57	9	275	268	3,488	3,282
Depreciation and amortisation	8,085	7,242	7,398	7,782	3,260	2,561	800	620	242	101	825	792	20,610	19,098
Share of results of associates	59	187	307	438	-	–	11	11	-	–	-	–	377	636

39.2 Reconciliations of reportable segment revenue, profit before income tax and other items of profit or loss for the years ended 31 December 2014 and 2013

	Share of results of associates		Depreciation and amortisation		Interest expenses		Report segment profit		Revenue	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Reportable segment amounts	377	636	20,610	19,098	3,488	3,282	61,557	69,977	309,309	353,034
Elimination of inter-segment amounts	-	–	-	–	(1,982)	(1,135)	(969)	(824)	(62,138)	(69,950)
Unallocated head office and corporate items	33	(48)	139	89	2,911	1,538	357	(225)	1,189	713
Consolidated	410	588	20,749	19,187	4,417	3,685	60,945	68,928	248,360	283,797

39. Segment and Other Information (continued)

39.3 Geographical information

The following table sets out information about geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, construction in progress, exploration and evaluation assets, intangible assets, interest in associates, other non-current assets and lease prepayments ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, construction in progress and lease prepayments, and the location of operations, in the case of exploration and evaluation assets, intangible assets, other non-current assets and interest in associates.

	Revenue from external customers		**Specified non-current assets**	
	Year ended 31 December 2014 RMB million	*Year ended 31 December 2013 RMB million*	**31 December 2014 RMB million**	*31 December 2013 RMB million*
Domestic markets	**243,127**	277,717	**403,186**	379,490
Overseas markets	**5,233**	6,080	**5,298**	5,565
	248,360	283,797	**408,484**	385,055

39.4 Major customer

Revenue from any individual customer of the Group does not exceed 10% of the Group's revenue. Certain of the Group's customers are government-related 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 RMB161,182 million (2013: RMB167,758 million) of the Group's revenue.

39. Segment and Other Information (continued)

39.5 Other information

Certain other information of the Group's segments for the years ended 31 December 2014 and 2013 is set out below:

	Coal		Power		Railway		Port		Shipping		Coal chemical		Unallocated items		Eliminations		Total	
	2014 RMB million	2013 RMB million	**2014 RMB million**	2013 RMB million	**2014 RMB million**	2013 RMB million	**2014 RMB million**	2013 RMB million	**2014 RMB million**	2013 RMB million	**2014 RMB million**	2013 RMB million	**2014 RMB million**	2013 RMB million	**2014 RMB million**	2013 RMB million	**2014 RMB million**	2013 RMB million
Coal purchased	**43,545**	73,876	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**43,545**	73,876
Cost of coal production	**42,163**	45,675	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**(10,109)**	(14,899)	**32,054**	30,776
Cost of coal transportation	**43,580**	42,510	**-**	–	**12,844**	13,330	**1,833**	1,683	**1,294**	1,881	**-**	–	**-**	–	**(41,702)**	(42,622)	**17,849**	16,782
Power cost	**-**	–	**50,514**	56,921	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**(9,586)**	(11,721)	**40,928**	45,200
Cost of coal chemical production	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**3,745**	3,783	**-**	–	**(367)**	(413)	**3,378**	3,370
Others	**32,386**	26,215	**657**	860	**1,898**	1,772	**162**	87	**1,276**	2,805	**500**	524	**210**	164	**-**	–	**37,089**	32,427
Total cost of sales	**161,674**	188,276	**51,171**	57,781	**14,742**	15,102	**1,995**	1,770	**2,570**	4,686	**4,245**	4,307	**210**	164	**(61,764)**	(69,655)	**174,843**	202,431
Profit (loss) from operations	**26,068**	35,919	**19,629**	18,459	**14,298**	13,590	**1,729**	1,649	**361**	317	**1,410**	1,510	**1,198**	262	**(1,251)**	(946)	**63,442**	70,760
Additions to non-current assets (note (i))	**8,653**	8,564	**17,542**	11,078	**14,869**	19,271	**1,533**	5,680	**1,097**	2,352	**794**	449	**337**	606	**-**	–	**44,825**	48,000
Total assets (note (ii))	**245,545**	224,803	**199,611**	178,457	**122,033**	104,061	**21,974**	20,709	**8,247**	8,114	**13,529**	13,340	**343,018**	320,241	**(415,060)**	(356,427)	**538,897**	513,298
Total liabilities (note (ii))	**(115,876)**	(115,964)	**(110,324)**	(106,656)	**(59,965)**	(54,601)	**(9,917)**	(10,877)	**(2,449)**	(2,643)	**(7,007)**	(7,780)	**(175,390)**	(137,031)	**303,630**	256,896	**(177,298)**	(178,656)

Notes:

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

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

40. Acquisition of Subsidiaries in Prior Years

40.1 Acquisitions from Shenhua Group

Pursuant to a resolution passed at the directors' meeting on 23 December 2013, the Company acquired the equity interests of certain entities held directly or indirectly by Shenhua Group, including:

- 100.00% equity interest in Shenhua Baotou Coal Chemical Co., Ltd.;
- 100.00% equity interest in Shenhua Guohua Jiujiang Power Co., Ltd.

During the year ended 31 December 2013, the Company had paid RMB9,323 million as consideration for the 2013 Acquisitions. The acquisitions had been accounted as business combinations under common control during the year ended 31 December 2013.

41. Commitments and Contingent Liabilities

41.1 Capital commitments

As at 31 December, the Group and the Company had capital commitments for land and buildings, equipment and investments as follows:

	The Group		The Company	
	2014 RMB million	2013 RMB million	**2014 RMB million**	2013 RMB million
Authorised and contracted for but not provided				
– Land and buildings	**29,800**	26,691	**2,452**	4,499
– Machinery and others	**25,145**	31,464	**6,355**	6,455
	54,945	58,155	**8,807**	10,954
Authorised but not contracted for				
– Land and buildings	**142,720**	236,289	**7,863**	176,391
– Machinery and others	**54,951**	54,172	**4,532**	7,873
	197,671	290,461	**12,395**	184,264
	252,616	348,616	**21,202**	195,218

41.2 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, 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	
	2014 RMB million	2013 RMB million	**2014 RMB million**	2013 RMB million
Within one year	**40**	21	**1**	2
After one year but within five years	**25**	2	**–**	1
After five years	**9**	10	**–**	–
	74	33	**1**	3

41. Commitments and Contingent Liabilities (continued)

41.3 *Financial guarantees issued*

The Group

At 31 December 2014, the Group had issued certain guarantees in respect of certain banking facilities granted to an entity which the Group held less than 20% equity interest. The maximum amount guaranteed is RMB200 million (2013: RMB201 million).

At 31 December 2013, the Group had issued certain guarantees in respect of certain banking facilities granted to an associate of the Group. The maximum amount guaranteed was RMB60 million. In 2014, this bank borrowing was repaid and the guarantee liability expired.

41.4 *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.

41.5 *Environmental contingencies*

To date, the Group has not incurred any significant expenditure 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.

42. 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. In addition, as approved by the government, the Group makes contribution to a supplemental defined contribution pension plan for its employees. The fund is managed by a qualified fund manager. 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 2014 were RMB2,567 million (2013: RMB2,539 million).

The Group's scheme of cash-settled share appreciation rights, previously granted to senior management of the Group since its adoption in 2005, was due for forfeiture as at 31 December 2013.

43. Related Party Transactions

43.1 Transactions with Shenhua Group, an associate of Shenhua Group, fellow subsidiaries, and associates of the Group

The Group is controlled by Shenhua Group and has significant transactions and relationships with Shenhua Group, an associate of Shenhua Group and fellow subsidiaries. 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.

The Group had the following transactions with Shenhua Group, an associate of Shenhua Group, fellow subsidiaries, and associates of the Group that were carried out in the normal course of business:

		2014 RMB million	*2013 RMB million*
Interest income	(i)	**1,027**	766
Income from entrusted loans	(ii)	**43**	45
Interest expense	(iii)	**374**	594
Purchases of ancillary materials and spare parts	(iv)	**2,255**	2,053
Mining service income	(v)	**1,262**	876
Ancillary and social services	(vi)	**173**	76
Transportation service income	(vii)	**360**	619
Transportation service expense	(viii)	**–**	73
Sale of coal	(ix)	**5,633**	5,406
Purchase of coal	(x)	**8,117**	7,038
Property leasing	(xi)	**42**	21
Repairs and maintenance services expense	(xii)	**47**	8
Coal export agency expense	(xiii)	**8**	12
Purchase of equipment and construction work	(xiv)	**2,477**	1,741
Sale of coal chemical product	(xv)	**2,288**	2,913
Other income	(xvi)	**4,150**	3,017
Granting of loans from Shenhua Finance	(xvii)	**18,627**	14,461
Repayment of loans from Shenhua Finance	(xviii)	**18,511**	4,085
Granting of entrusted loan	(xix)	**–**	40
Repayment of entrusted loan	(xx)	**30**	80
Receipt of deposits by Shenhua Finance	(xxi)	**(1,901)**	2,019
Loans from Shenhua Group	(xxii)	**–**	6,286
Repayment of loans from Shenhua Group	(xxiii)	**4,712**	23

43.Related Party Transactions (continued)

43.1 *Transactions with Shenhua Group, an associate of Shenhua Group, fellow subsidiaries, and associates of the Group (continued)*

(i) Interest income represents interest earned from loans to Shenhua Group and fellow subsidiaries and is included in “revenue-other revenue” of the Group (Note 5). The applicable interest rate is determined in accordance with the prevailing borrowing rates published by the People’s Bank of China (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 fellow subsidiaries and is included in “cost of sales-other operating costs” of the Group (Note 6). 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 related to the Group’s operations from fellow subsidiaries.

(v) Mining service income represents income earned from coal mining services to fellow subsidiaries.

(vi) 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 Shenhua Group, fellow subsidiaries and associates of the Group.

(vii) Transportation service income represents income earned from Shenhua Group and fellow subsidiaries in respect of coal transportation services.

(viii) Transportation service expense represents expense related to coal transportation service provided by a fellow subsidiary of Shenhua Group and associates of the Group.

(ix) Sale of coal represents income from sale of coal to fellow subsidiaries.

(x) Purchase of coal represents coal purchased from associates of the Group and fellow subsidiaries.

(xi) Property leasing represents rental paid or payable in respect of properties leased from fellow subsidiaries.

(xii) Repairs and maintenance services expense represents expense related to machinery repairs and maintenance services provided by fellow subsidiaries and an associate of the Group.

(xiii) Coal export agency expense represents expense related to coal export agency services provided by a fellow subsidiary.

43. Related Party Transactions (continued)

43.1 *Transactions with Shenhua Group, an associate of Shenhua Group, fellow subsidiaries, and associates of the Group (continued)*

(xiv) Purchase of equipment and construction work represents expenditure related to equipment and construction service provided by fellow subsidiaries.

(xv) Sale of coal chemical product represents income from sale of coal chemical product to fellow subsidiaries.

(xvi) 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.

(xvii) Granting of loans from Shenhua Finance represents loans granted by Shenhua Finance to fellow subsidiaries.

(xviii) Repayment of loans to Shenhua Finance represents loans repaid by fellow subsidiaries to Shenhua Finance.

(xix) Granting of entrusted loan represents an entrusted loan granted to an associate of the Group.

(xx) Repayment of entrusted loan represents an entrusted loan repaid by an associate of the Group.

(xxi) Receipt of deposits by Shenhua Finance represents net deposits received by Shenhua Finance from Shenhua Group and fellow subsidiaries.

(xxii) Loans obtained by the Group from Shenhua Group and fellow subsidiaries.

(xxiii) Repayment of loans from Shenhua Group and fellow subsidiaries by the Group.

The Directors are of the opinion that the above transactions with related parties were conducted in the ordinary course of business and in accordance with the agreements governing such transactions.

The Group issued certain guarantee to an associate of the Group and details refer to Note 41.3.

The Group entered into a number of agreements with Shenhua Group, an associate of Shenhua Group and fellow subsidiaries, 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 an associate of Shenhua Group and fellow subsidiaries. Pursuant to the agreement, an associate of Shenhua Group and fellow subsidiaries provide 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 fellow subsidiaries 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.

43. Related Party Transactions (continued)

43.1 *Transactions with Shenhua Group, an associate of Shenhua Group, fellow subsidiaries, and associates of the Group (continued)*

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 fellow subsidiaries 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 fellow subsidiaries. Pursuant to the agreement, Shenhua Finance provides financial services to Shenhua Group and fellow subsidiaries. The interest rate for the deposits with Shenhua Finance from Shenhua Group and fellow subsidiaries 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 fellow subsidiaries 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.

(iv) The Group has entered into a property leasing agreement with fellow subsidiaries for leasing of certain properties to each other. No rent is payable by the Company before fellow subsidiaries obtains the relevant property ownership certificate. The rental charges are based on comparable market rates. If fellow subsidiaries 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 fellow subsidiaries. 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 a fellow subsidiary. The fellow subsidiary is appointed as a non-exclusive export agent of the Group 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.

43. Related Party Transactions (continued)

43.1 *Transactions with Shenhua Group, an associate of Shenhua Group, fellow subsidiaries, and associates of the Group (continued)*

(vii) The Group entered into an agency agreement for the sale of coal with fellow subsidiaries. The Group is appointed as the exclusive sales agent of fellow subsidiaries 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 fellow subsidiaries under which the Group has been granted the right to use certain trademarks. Fellow subsidiaries 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.

Amounts due from/to Shenhua Group, an associate of Shenhua Group, fellow subsidiaries, and associates of the Group:

	Note	**2014 RMB million**	*2013 RMB million*
Accounts and bills receivable	25	**2,955**	2,225
Prepaid expenses and other current assets	26	**10,565**	14,375
Other non-current assets	22	**8,023**	4,113
Total amounts due from Shenhua Group, an associate of Shenhua Group, fellow subsidiaries and associates of the Group		**21,543**	20,713
Borrowings	29	**2,174**	6,886
Accounts payable	31	**2,523**	2,216
Accrued expenses and other payables	32	**20,068**	21,934
Total amounts due to Shenhua Group, an associate of Shenhua Group and fellow subsidiaries, and associates of the Group		**24,765**	31,036

Other than those disclosed in Notes 43.1(i), 43.1(ii) and 43.1(iii) above, amounts due from/to Shenhua Group, an associate of Shenhua Group, fellow subsidiaries, and associates of the Group bear no interest, are unsecured and are repayable in accordance with normal commercial terms.

43. Related Party Transactions (continued)

43.2 *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:

	2014 RMB million	*2013 RMB million*
Short-term employee benefits	**13**	16
Post-employment benefits	**1**	2
	14	18

Total remuneration is included in "personnel expenses" as disclosed in Note 9.

43.3 *Contributions to post-employment benefit plans*

The Group participates in various defined contribution post-employment benefit plans organised by municipal and provincial governments and a supplemental defined contribution pension plan approved by the government for its employees. Further details of the Group's post-employment benefit plans are disclosed in Note 42.

43.4 *Transactions with other government-related entities in the PRC*

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influence by the PRC government ("government-related entities").

Other than those transactions with Shenhua Group, an associate of Shenhua Group, fellow subsidiaries and associate of the Group as disclosed above, the Group conducts business with other government-related 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 government-related. The Group has established its pricing policies in respect of sale of goods and provision of services, and approval process for purchases of products and services. Such policies and approval process apply to all counter-parties regardless of whether the counterparty is government-related or not.

43. Related Party Transactions (continued)

43.4 *Transactions with other government-related entities in the PRC (continued)*

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 government -related entities require disclosure:

Transactions with other government – related entities, including state-controlled banks in the PRC

	2014 RMB million	*2013 RMB million*
Coal revenue	**91,360**	92,607
Power revenue	**69,822**	75,151
Transportation costs	**13,321**	15,124
Interest income	**629**	318
Interest expenses	**3,882**	3,071

Balances with other government-related entities, including state-controlled banks in the PRC

	2014 RMB million	*2013 RMB million*
Accounts and bills receivable	**17,439**	17,370
Prepaid expenses and other current assets	**1,878**	1,636
Cash and time deposits at banks	**37,217**	39,433
Restricted bank deposits	**6,271**	6,648
Borrowings	**53,882**	68,629
Accrued expenses and other payables	**4,534**	4,722

44. Events After the Reporting Period

On 20 March 2015, the Board of Directors proposed a final dividend of RMB 0.74 per ordinary share totaling RMB14,718 million to the equity holders of the Company. Further details are disclosed in Note 13.

Section XVI Documents Available for Inspection

1.	The annual report for the year 2014 signed by the Chairman
2.	The financial statements signed and sealed by the Chairman, the Chief Financial Officer and the General Manager of the Financial Department
3.	The original copy of the auditor's report
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 2014 published on the Shanghai Stock Exchange and the Hong Kong Stock Exchange

Zhang Yuzhuo, Chairman

Approved by the Board for submission on: 20 March 2015

Section XVII Signing Page for Opinions

Pursuant to Article 68 of the Securities Law of the People's Republic of China and Article 12 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 2014) of the CSRC, having fully understood and reviewed the 2014 Annual Report of the Company, the board of directors and all directors are of the opinion that information disclosed in the 2014 Annual Report of the Company 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 Yuzhuo)

(Ling Wen)

(Han Jianguo)

(Wang Xiaolin)

(Fan Hsu Lai Tai)

(Gong Huazhang)

(Guo Peizhang)

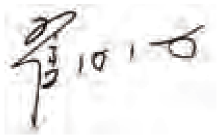
(Chen Hongsheng)

China Shenhua Energy Company Limited

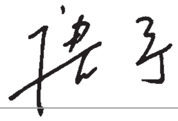
20 March 2015

Pursuant to Article 68 of the Securities Law of the People's Republic of China and Article 12 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 2014) of the CSRC, having fully understood and reviewed the 2014 Annual Report of the Company, the supervisory committee and all supervisors are of the opinion that information disclosed in the 2014 Annual Report of the Company 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.

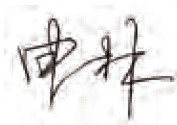
Signature of all supervisors of the Company:



(Zhai Richeng)



(Tang Ning)



(Shen Lin)

China Shenhua Energy Company Limited

20 March 2015

Pursuant to Article 68 of the Securities Law of the People's Republic of China and Article 12 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 2014) of the CSRC, having fully understood and reviewed the 2014 Annual Report of the Company, all senior management members of the Company are of the opinion that information disclosed in the 2014 Annual Report of the Company 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:

(Han Jianguo)

(Wang Xiaolin)

(Li Dong)

(Hao Gui)

(Xue Jilian) Note

(Wang Pingang)

(Wang Jinli)

(Huang Qing)

(Zhang Kehui)

China Shenhua Energy Company Limited

20 March 2015

Note: Mr. Xue Jilian resigned from the position of senior vice president of the Company on 10 March 2015 as he had reached the retirement age.

Section XVIII Summary of Major Financial Information for the Recent Five Years

The following financial information is extracted from the consolidated financial statements of the Group prepared in accordance with International Financial Reporting Standards:

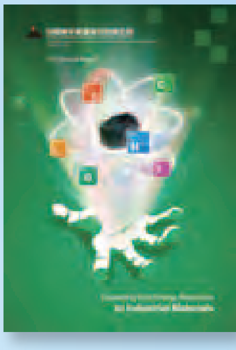
Consolidated statement of profit or loss and other comprehensive income

	For the year ended 31 December				
	2010	*2011*	*2012*	*2013*	***2014***
	RMB million	*RMB million*	*RMB million*	*RMB million*	***RMB million***
Revenue	158,570	213,837	254,575	283,797	**248,360**
Cost of sales	(93,188)	(135,060)	(174,677)	(202,431)	**(174,843)**
Gross profit	65,382	78,777	79,898	81,366	**73,517**
Selling, general and administrative expenses	(6,762)	(7,892)	(9,160)	(10,118)	**(9,459)**
Other gains and losses	(447)	(331)	(303)	(889)	**(749)**
Other income	366	385	777	533	**933**
Other expenses	(596)	(904)	(466)	(364)	**(417)**
Interest income	1,251	978	777	754	**804**
Finance costs	(3,583)	(3,516)	(3,128)	(2,942)	**(4,094)**
Share of results of associates	571	346	477	588	**410**
Profit before income tax	56,182	67,843	68,872	68,928	**60,945**
Income tax expense	(11,563)	(14,041)	(10,976)	(13,704)	**(12,562)**
Profit for the year	44,619	53,802	57,896	55,224	**48,383**
Profit for the year attributable to:					
Equity holders of the Company	38,862	46,840	49,708	45,079	**38,689**
Non-controlling interests	5,757	6,962	8,188	10,145	**9,694**
	44,619	53,802	57,896	55,224	**48,383**
Earnings per share (RMB)					
– Basic	1.954	2.355	2.499	2.266	**1.945**

Consolidated statement of financial position

	At 31 December				
	2010	*2011*	*2012*	*2013*	***2014***
	RMB million	*RMB million*	*RMB million*	*RMB million*	***RMB million***
Total non-current assets	257,641	310,868	358,807	391,890	**420,260**
Total current assets	119,709	111,330	113,278	121,408	**118,637**
Total current liabilities	77,644	89,064	107,081	131,509	**108,861**
Total non-current liabilities	59,391	59,276	51,853	47,147	**68,437**
Net assets	240,315	273,858	313,151	334,642	**361,599**
Equity attributable to equity holders of the Company	206,814	233,943	263,183	276,903	**297,244**
Non-controlling interests	33,501	39,915	49,968	57,739	**64,355**
Total equity	240,315	273,858	313,151	334,642	**361,599**

2013 Annual Report

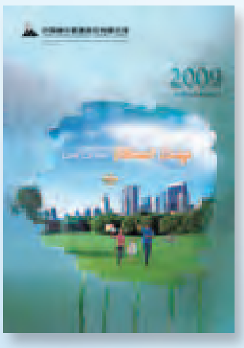


2012 Annual Report

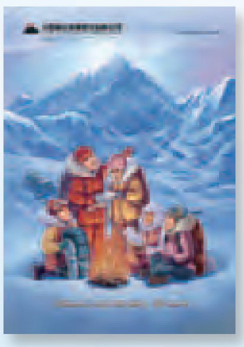
2011 Annual Report

2010 Annual Report

2009 Annual Report



2008 Annual Report



2007 Annual Report

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