中国神华能源股份有限公司

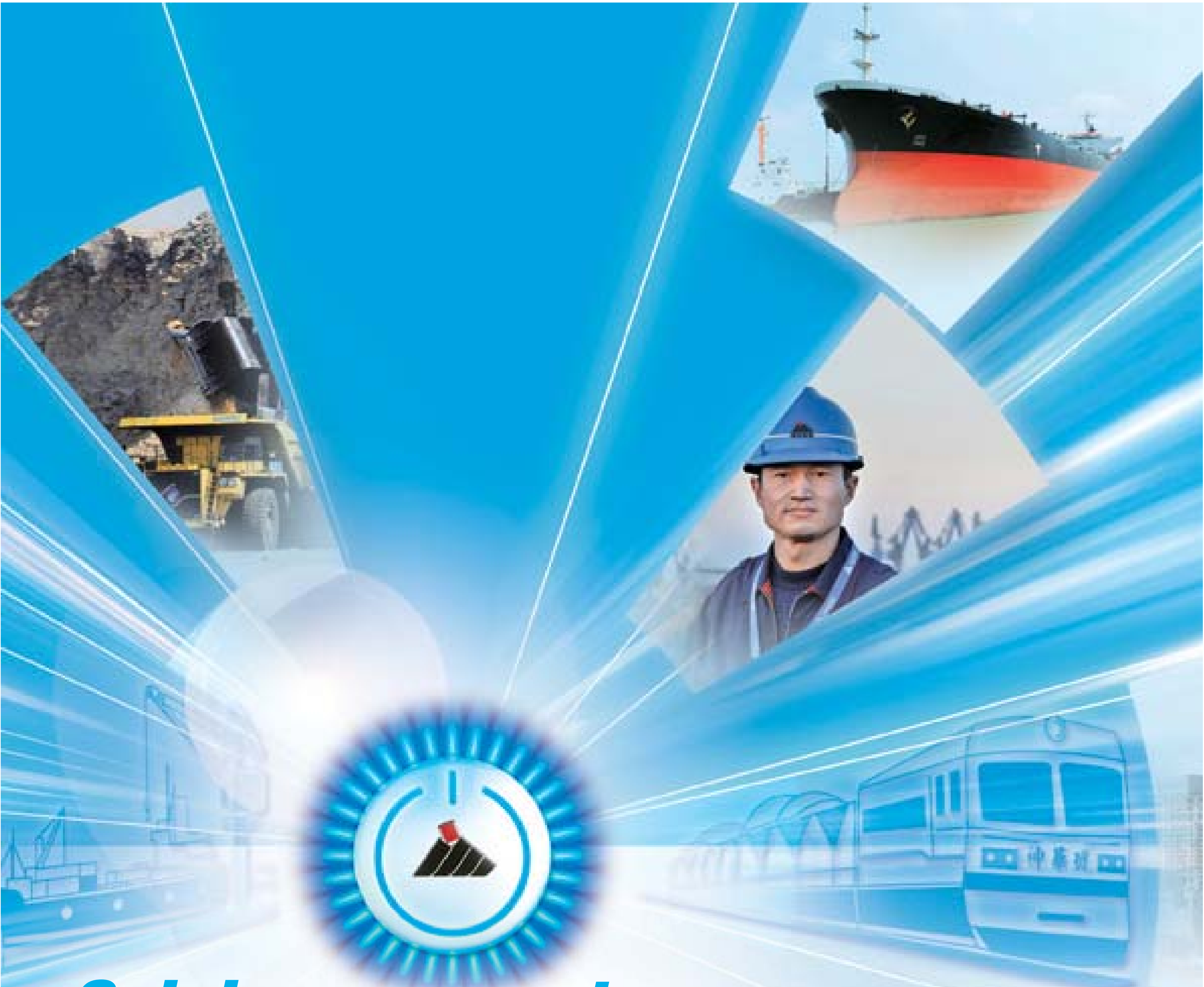
CHINA SHENHUA ENERGY COMPANY LIMITED

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

Stock Code: 01088

Gaining momentum through innovation

2012 Annual Report



Gaining momentum through innovation

Cover story: Gaining momentum through innovation

Ever since being restructured and established in 2004, with the development of the economy and the coal industry in China, China Shenhua has achieved healthy and rapid growth, and has created a legend in China's coal industry.

Since 2012, faced with new conditions, challenges and opportunities, China Shenhua has striven to generate perpetual growth momentum through innovation, continuously promoting the realization of the strategic goal of "pursuing scientific development, reshaping Shenhua and building a world-class integrated coal-based company with global competitiveness".

"Gaining momentum through innovation" means the construction of soft power on the basis of solid resources and the continued evolution of intrinsic genes; it means the continued coordination, optimization and improvement of the innovative business model of "integration of coal, power, railways, ports and shipping" which is characterized by resource sharing, in-depth cooperation, synergy and low-cost operations; it means management upgrades as well as an efficient and safe operational and management system following the realization of specialized labor division, synergistic operations, specialized operations and intensified management; it means innovative productivity that involves reinforcing technological R&D along the whole industry chain and promoting industry transition and upgrades; it means information support for decision-making that fully covers and connects the industry and business segments following the promotion of deep integration of informatization and industrialization.

By "gaining momentum through innovation", let's expect the next legend to be created by China Shenhua!

Important Notice

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

This report was reviewed at the 36th meeting of the second session of the board of the Company. 9 out of 9 eligible directors of the Company were present at the meeting. A final dividend of RMB0.96 per share (inclusive of tax) for 2012 was proposed at the meeting, totaling approximately RMB19.094 billion (inclusive of tax). The above profit distribution proposal is pending the approval of the general meeting.

KPMG has issued a standard unqualified independent auditor's report to the Company under the Hong Kong Standards of Auditing, in connection with the Company's 2012 financial statements prepared under the International Financial Reporting Standards.

There is no appropriation of the Company's funds for non-operational purpose by any controlling shareholders or its subsidiaries. Also, there is no provision of external guarantees of the Company that violates the required decision-making procedures.

In April 2012, the Company completed the acquisition of the 50% equity interests in Taicang Power, the 100% equity interests in Shenhua HK Company and the 60% equity interests in Bayannur Company, as combined enterprises under common control. These acquired companies and related assets have been consolidated into the financial statements and operational data of the Company for 2012, and the financial statements and the related operational data for prior periods have been restated.

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

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. 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.

Contents

Substantial Risk Warning

The Company has made detail description of existing risks of market competition, changes in industrial policies, rising costs, environmental protection, production safety in coal mines etc. in this report. For details, please refer to the subsection headed "Major risk exposures and their effects" under the discussion and analysis of the Company's future development set out in the section headed "Directors' Report" in this report.

Company Profile

(1)Information of the Company

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

(2)Contacts and Contact Methods

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

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

(3)Particulars

Registered and Office Address	22 Andingmen Xibinhe Road, Dongcheng District, Beijing (Postal Code:100011)
Website on the Internet	http://www.csec.com or http://www.shenhuachina.com
E-mail	1088@shenhua.cc
Registration Number of Corporate Business Licence	100000000039286
Tax Registration Number	Jing Shui Zheng Zi No.110101710933024
Organisation Code	71093302-4
Date and Location of the First Business Registration	Please refer to the Prospectus of the Company's A-Share IPO
Date and Location of the Latest Change in Business Registration	8 August 2011, Beijing
Changes in principal business since the listing of the Company	At the time of listing, the Company was principally engaged in production and sale of coal and power as well as railway and port transportation. In 2010, having shipping business incorporated into the business scope of the Company, the Company's coal-based energy chain further extended with its competitive advantage being further enhanced.
Historical changes in controlling shareholder	N/A

(4) Information Disclosure and Location for Document Inspection

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

(5) Basic Information on Shares

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

(6) Other Related Information

		A Share/the PRC	H Share/Hong Kong
Auditors	Name	KPMG Huazhen (Special General Partnership)	KPMG
	Signing Auditor	Gong Weili, Wang Xia	–
	Address	8th Floor, Office Tower E2, Oriental Plaza, 1 East Chang An Avenue, Beijing	8th Floor, Prince's Building,10 Chater Road, Central, Hong Kong
Legal Advisors	Name	King & Wood Mallesons	Herbert Smith Freehills
	Address	40th Floor, Office Tower A, Beijing Fortune Plaza, 7, Dongsanhuan Zhonglu, Chaoyang District, Beijing	23rd Floor, Gloucester Tower, 15 Queen's Road Central, Hong Kong
Share Registrar and Transfer Office	Name	China Securities Depository and Clearing Corporation Limited Shanghai Branch	Computershare Hong Kong Investor Services Limited
	Address	36th Floor, China Insurance Building, 166 Lu Jia Zui Dong Lu, Pudong New Area, Shanghai	Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

The Sponsors and Sponsor Representatives who are continuously fulfilling supervisory obligations	Name	China International Capital Corporation Limited	China Galaxy Securities Co., Ltd.
	Sponsor Representatives	Fang Baorong, Zhang Lu	Zheng Wei, Lu Yu
	Address	27th and 28th Floor, China World Tower Two, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing	2-6/Floor, Tower C, Corporate Square, No.35 Financial Street, Xicheng District, Beijing
Continuing supervisory period	October to December of 2007, 2008 and 2009. 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.		

Results Highlight

Operational data

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

Financial Data

		2012	2011 (restated)	Percentage change (%)
Revenues	(RMB million)	**250,260**	209,225	19.6
Profit for the year	(RMB million)	**57,046**	52,808	8.0
Profit attributable to equity shareholders of the Company for the year	(RMB million)	**48,858**	45,846	6.6
Basic earnings per share	(RMB per share)	**2.456**	2.305	6.6
Proposed final dividend for the year (inclusive of tax)	(RMB per share)	**0.96**	0.90	6.7
Net cash generated from operating activities	(RMB million)	**69,055**	70,949	(2.7)

		As at 31 December 2012	As at 31 December 2011 (restated)	Percentage change (%)
Total assets	(RMB million)	**457,367**	406,507	12.5
Total liabilities	(RMB million)	**150,810**	138,393	9.0
Total equity	(RMB million)	**306,557**	268,114	14.3
Of which: Equity attributable to equity shareholders of the Company	(RMB million)	**256,589**	228,199	12.4
Equity attributable to equity shareholders per share	(RMB per share)	**12.90**	11.47	12.4

Differences between Domestic and International Accounting Standards

Unit: RMB million

Items	Net profit		Net assets	
	2012	2011 (restated)	**2012**	2011 (restated)
Under Accounting Standards for Business Enterprises	**47,661**	44,991	**253,101**	225,529
Adjustment:				
Adjustment to simple production maintenance, production safety and other related expenditures and others	**1,197**	855	**3,488**	2,670
Under International Financial Reporting Standards	**48,858**	45,846	**256,589**	228,199

Note: Pursuant to the relevant regulations of the related government authorities in the PRC, provisions for production maintenance, production safety and other related expenditures are accrued by 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, 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 Xiwu Chairman

Chairman's Statement

Market capitalisation as at the end of 2012 achieved

USD 81.39 billion

Proposed final dividend for 2012 is

RMB 0.96/share

Dear Shareholders,

On behalf of the board of directors, I am delighted to present the 2012 annual report of China Shenhua and to report to all shareholders on the Company's performance for the year.

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

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

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

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

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

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

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

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

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

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

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

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

Remarkable Results Achieved by Collaborative Operation and Optimising Integrated Competitive Edge

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

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

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

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

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

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

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

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

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

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

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

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

Strengthened Fundamental Management and created a favourable development environment

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

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

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

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

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

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

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

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

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

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

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

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

Zhang Xiwu
Chairman

Beijing, the PRC
22 March 2013

Directors' Report

2012 Overview of the Company's Operating Results

Business Data Master Table

		2012	2011 (Restated)	Percentage change %
Commercial coal production	(million tonnes)	**304.0**	281.9	7.8
Coal sales	(million tonnes)	**464.6**	387.5	19.9
Of which: Export	(million tonnes)	**3.3**	5.6	(41.1)
Import	(million tonnes)	**10.7**	–	N/A
Turnover of self-owned railway transportation	(billion tonne km)	**176.2**	162.3	8.6
Seaborne coal	(million tonnes)	**262.2**	210.1	24.8
At Huanghua Port	(million tonnes)	**95.6**	83.6	14.4
At Shenhua Tianjin	(million tonnes)	**28.8**	24.2	19.0
Shipping volume	(million tonnes)	**97.7**	80.6	21.2
Shipment turnover	(billion tonne nm)	**82.5**	71.5	15.4
Gross power generation[1]	(billion kwh)	**207.90**	188.35	10.4
Total power output dispatch[1]	(billion kwh)	**193.46**	175.61	10.2

Breakdown of Shipping Volume

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

Notes: (1) The figures include the operating results of coal-fired power generation business and other power generation businesses.
(2) Shendong Mines are established through the consolidation of the previous Shendong Mines and Wanli Mines.
(3) The data of Lijiahao Mine, Adaohai Mine, Shuiquan Open-cut Mine and Chaijiagou Mine are consolidated into "Baotou Mines and others" and the data of 2011 are adjusted in accordance with the above data.
(4) The power plants operated by Shenwan Energy Company include Anqing Wanjiang Power Plant, Chizhou Jiuhua Power Plant and Ma'anshan Wan'nengda Power Plant.
(5) Bashu Power operates thermal power generation and hydropower generation businesses.
(6) The power plants operated by Fujian Energy Company include Longyan Power Plant, Yanshi Power Plant and Jinjiang Thermal Power.
(7) The standard coal consumption for power output dispatch of Yuyao Power is a converted amount.

Breakdown of Coal Resources/Reserve

Mines	Recoverable coal reserve (under PRC standard) As at 31 December 2012 100 million tonnes	As at 31 December 2011 100 million tonnes	Percentage change %	Marketable coal reserve (under JORC standard) As at 31 December 2012 100 million tonnes	As at 31 December 2011 100 million tonnes	Percentage change %	Coal resources As at 31 December 2012 100 million tonnes	As at 31 December 2011 100 million tonnes	Percentage change %
Shendong Mines[2]	**81.14**	83.06	(2.3)	**44.52**	46.54	(4.3)	**155.65**	158.13	(1.6)
Zhunge'er Mines	**35.22**	34.77	1.3	**21.24**	21.83	(2.7)	**42.57**	43.13	(1.3)
Shengli Mines	**14.22**	14.48	(1.8)	**7.78**	8.03	(3.1)	**20.39**	20.65	(1.3)
Baorixile Mines	**13.21**	13.36	(1.1)	**13.62**	13.93	(2.2)	**15.26**	15.51	(1.6)
Baotou Mines and others[3]	**7.44**	6.87	8.3	**3.26**	3.13	4.2	**17.55**	16.58	5.9
Total of China Shenhua	**151.23**	152.54	(0.9)	**90.42**	93.46	(3.3)	**251.42**	254.00	(1.0)

Breakdown of Coal Sales

		2012 million tonnes	Proportion of domestic sales %	2011 (Restated) million tonnes	Percentage change %
Domestic sales		**460.8**	100.0	381.9	20.7
By contract type	Long-term contract	**180.2**	39.1	171.7	5.0
	Spot market sales	**280.6**	60.9	210.2	33.5
By transportation mode	Mine mouth	**49.6**	10.8	52.0	(4.6)
	Direct arrival (along railway)	**152.4**	33.0	125.4	21.5
	Seaborne	**258.8**	56.2	204.5	26.6
By customers	External customers	**377.8**	82.0	304.9	23.9
	Power segment of the Group	**83.0**	18.0	77.0	7.8
By region	Northern China	**226.9**	49.2	198.9	14.1
	Eastern China	**175.3**	38.1	129.6	35.3
	Central China and Southern China	**48.1**	10.4	47.0	2.3
	Northeast China	**6.0**	1.3	3.5	71.4
	Others	**4.5**	1.0	2.9	55.2
By usage	Thermal coal	**355.9**	77.2	311.2	14.4
	Metallurgy	**8.9**	1.9	7.1	25.4
	Chemical (including coal slurry)	**23.4**	5.1	17.7	32.2
	Others	**72.6**	15.8	45.9	58.2
		2012 million tonnes	**Proportion of export and other sales %**	**2011 (Restated) million tonnes**	**Percentage change %**
Export and other Sales		**3.8**	100.0	5.6	(32.1)
	South Korea	**1.1**	28.9	1.9	(42.1)
	China Taiwan	**0.5**	13.2	1.2	(58.3)
	Japan	**1.7**	44.7	2.5	(32.0)
	Others	**0.5**	13.2	–	N/A
Total coal sales		**464.6**		387.5	19.9

Breakdown of Commercial Coal Production

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

Breakdown of Railway Turnover

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

Breakdown of Seaborne Coal in Ports

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

Other Assets

Name

Watermark Coal Project in Australia (environmental assessment report available for public opinion)
Xinjie Taigemiao Exploration Area (application for exploration license being processed)
Shenhua Yudean Zhuhai Port Coal Terminal (under trial operation since the end of 2012)

Railway	Length km	Commencement date
Bazhun Railway (under construction)	128	December 2010
Zhunchi Railway (under construction)	180	October 2011
Ganquan Railway (under trial operation since the end of 2012)	367	August 2010

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 2011 (Restated) MW	Increase/ (decrease) in installed capacity for 2012 MW	Total installed capacity as at 31 December 2012 MW	Equity installed capacity as at 31 December 2012 MW
Cangdong Power	North China Power Grid	Hebei	154.4	146.8	6,128	312	355	2,520	–	2,520	1,285
Sanhe Power	North China Power Grid	Hebei	74.1	68.8	5,700	312	372	1,300	–	1,300	715
Dingzhou Power	North China Power Grid	Hebei	149.1	138.1	5,918	322	345	2,520	–	2,520	1,021
Panshan Power	North China Power Grid	Tianjin	60.9	56.9	5,914	328	393	1,030	–	1,030	469
Zhunge'er Power	North China Power Grid	Inner Mongolia	44.0	39.3	4,409	372	248	1,060	(100)	960	556
Shendong Power	Northwest /North China/ Shaanxi Provincial Local Power Grid	Inner Mongolia	175.9	157.9	4,986	365	268	3,467	700	4,167	3,657
Guohua Zhunge'er	North China Power Grid	Inner Mongolia	66.0	59.9	5,004	318	265	1,320	–	1,320	858
Guohua Hulunbeier Power	Northeast Power Grid	Inner Mongolia	46.6	41.8	3,887	336	294	1,200	–	1,200	960
Beijing Thermal	North China Power Grid	Beijing	23.4	20.7	5,860	274	430	400	–	400	280
Suizhong Power	Northeast Power Grid	Liaoning	165.1	154.6	4,585	321	347	3,600	–	3,600	1,800
Zheneng Power	East China Power Grid	Zhejiang	260.4	247.8	5,919	303	418	4,400	–	4,400	2,640
Taicang Power	East China Power Grid	Jiangsu	82.7	78.8	6,563	306	370	1,260	–	1,260	630
Jinjie Energy	North China Power Grid	Shaanxi	157.3	144.6	6,553	330	303	2,400	–	2,400	1,680
Shenmu Power	Northwest Power Grid	Shaanxi	13.7	12.2	6,215	379	343	220	–	220	112
Taishan Power	South China Power Grid	Guangdong	219.9	206.6	4,398	315	438	5,000	–	5,000	4,000
Huizhou Thermal	South China Power Grid	Guangdong	40.9	37.3	6,193	330	452	660	–	660	660
Mengjin Power	Central China Power Grid	Henan	65.4	61.3	5,446	322	375	1,200	–	1,200	612
Chenjiagang Power	East China Power Grid	Jiangsu	59.6	56.1	4,513	302	358	1,320	–	1,320	726
Shenwan Energy[4]	East China Power Grid	Anhui	144.4	136.1	5,592	330	372	2,440	160	2,600	1,326
Bashu Power[5]	Sichuan Power Grid	Sichuan	31.9	28.9	2,533	341	396	–	1,260	1,260	603
Fujian Energy[6]	East China Power Grid	Fujian	–	–	–	–	–	–	1,240	1,240	481
EMM Indonesia	PLN (Perusahaan Listrik Negara)	Indonesia	17.0	14.9	5,677	412	374	300	–	300	210
Total for coal-fired power plants/Weighted average			2,052.7	1,909.4	5,261	323	361	37,617	3,260	40,877	25,281
Other power plants											
Zhuhai Wind	South China Power Grid	Guangdong	0.4	0.4	2,237	–	595	16	–	16	12
Yuyao Power[7]	East China Power Grid	Zhejiang	21.6	20.7	2,765	249	636	780	–	780	624
Bashu Power[5]	Sichuan Power Grid	Sichuan	4.3	4.1	3,405	–	227	–	125	125	47

2012 Overview of Consolidated Operating Results

Consolidated statement of comprehensive income

	2012 RMB million	2011 (Restated) RMB million	Percentage change %
Revenues	**250,260**	209,225	19.6
Cost of revenues	**(167,754)**	(128,638)	30.4
Selling, general and administrative expenses	**(12,950)**	(11,056)	17.1
Other operating income/(expenses), net	**48**	(825)	(105.8)
Profit from operations	**69,604**	68,706	1.3
Net finance costs	**(2,071)**	(2,204)	(6.0)
Investment income	**1**	1	–
Share of profits less losses of associates	**477**	346	37.9
Profit before income tax	**68,011**	66,849	1.7
Income tax	**(10,965)**	(14,041)	(21.9)
Profit for the year	**57,046**	52,808	8.0
Equity shareholders of the Company	**48,858**	45,846	6.6
Non-controlling interests	**8,188**	6,962	17.6
Basic earnings per share (RMB/share)	**2.456**	2.305	6.6

Breakdown of revenues

	2012 RMB million	2011 (Restated) RMB million	Percentage change %
Revenues			
Coal revenue	**165,989**	138,263	20.1
Power revenue	**71,096**	61,204	16.2
Transportation revenue	**5,403**	5,585	(3.3)
Sub-total	**242,488**	205,052	18.3
Revenues from other operations	**7,772**	4,173	86.2
Total operating revenues	**250,260**	209,225	19.6

Breakdown of cost of revenues

	2012 RMB million	2011 (Restated) RMB million	Percentage change %
Coal purchased	**69,685**	45,904	51.8
Materials, fuel and power	**18,400**	14,777	24.5
Personnel expenses	**10,369**	9,158	13.2
Depreciation and amortisation	**16,797**	14,856	13.1
Repairs and maintenance	**7,467**	6,070	23.0
Transportation charges	**17,481**	18,304	(4.5)
Others	**27,555**	19,569	40.8
Total cost of revenues	**167,754**	128,638	30.4

Cost of revenues – Breakdown of others

	2012 RMB million	2011 (Restated) RMB million	Percentage change %
Coal selection and minery fees	**7,878**	6,450	22.1
Taxes and surcharges	**1,729**	1,696	1.9
Dredging expenses	**380**	405	(6.2)
Relocation compensation expenses	**1,352**	642	110.6
Operating lease charges	**335**	290	15.5
Resources compensation fees	**571**	515	10.9
Environmental related expenses	**3,851**	3,533	9.0
Cost of sale of ancillary materials and other goods, and provision of other services	**5,460**	2,542	114.8
Others	**5,999**	3,496	71.6
Total cost of revenues - others	**27,555**	19,569	40.8

Breakdown of coal sales price

	2012 Sales volume million tonnes	2012 Sales price RMB/tonne	2011 (Restated) Sales volume million tonnes	2011 (Restated) Sales price RMB/tonne	Change in sales price %
Domestic sales	**460.8**	**424.8**	381.9	431.4	(1.5)
Long-term contract sales	**180.2**	**353.4**	171.7	337.8	4.6
Mine mouth	**14.1**	**183.0**	11.4	162.3	12.8
Direct arrival (along railway line)	**86.5**	**263.1**	80.5	251.0	4.8
Seaborne	**79.6**	**481.7**	79.8	450.5	6.9
Spot market sales	**280.6**	**470.6**	210.2	507.9	(7.3)
Mine mouth	**35.5**	**133.5**	40.6	171.0	(21.9)
Direct arrival (along railway line)	**65.9**	**413.3**	44.9	474.3	(12.9)
Seaborne	**179.2**	**558.5**	124.7	629.7	(11.3)
Export and other sales	**3.8**	**792.1**	5.6	747.7	5.9
Total/Weighted average price	**464.6**	**427.8**	387.5	436.0	(1.9)
Of which: Sales to external customers	**381.6**	**434.9**	310.5	445.3	(2.3)
Sales to internal power segment	**83.0**	**395.0**	77.0	398.4	(0.9)

Statement of cash flows from operating activities

	2012 RMB million	2011 (Restated) RMB million	Change %
Profit before income tax	**68,011**	66,849	1.7
Adjustments for: Depreciation and amortisation	**18,150**	15,825	14.7
Impairment losses on property, plant and equipment	**23**	–	N/A
Impairment losses on other long-term equity investments	**43**	138	(68.8)
Net loss on disposal of property, plant and equipment	**194**	167	16.2
Investment income	**(1)**	(1)	–
Interest income	**(750)**	(978)	(23.3)
Share of profits less losses of associates	**(477)**	(346)	37.9
Net interest expense	**3,315**	3,212	3.2
Loss/(gain) on remeasurement of derivative financial instruments and trading debt securities to fair value	**14**	(114)	(112.3)
Unrealised foreign exchange gain	**(580)**	(149)	289.3
Increase in accounts and bills receivable	**(5,661)**	(896)	531.8
Increase in inventories	**(1,847)**	(934)	97.8
Increase in prepaid expenses and other assets	**(1,326)**	(1,367)	(3.0)
Increase in accounts and bills payable	**2,137**	102	1,995.1
Increase in accrued expenses and other payables, long-term payables and accrued reclamation obligations	**5,303**	3,593	47.6
Interest received	**750**	978	(23.3)
Interest paid	**(3,554)**	(3,300)	7.7
Income tax paid	**(14,689)**	(11,830)	24.2
Net cash generated from operating activities	**69,055**	70,949	(2.7)

2012 Overview of Operating Conditions by Segment

Segment results

	Coal		Power		Railway		Port	
	2012 RMB million	2011 (Restated) RMB million	**2012 RMB million**	2011 (Restated) RMB million	**2012 RMB million**	2011 (Restated) RMB million	**2012 RMB million**	2011 (Restated) RMB million
Revenue from external customers	**171,964**	140,884	**71,776**	61,724	**3,060**	2,745	**124**	147
Revenue from inter-segment transactions	**34,851**	31,596	**487**	399	**21,946**	20,181	**2,918**	2,673
Sub-total of segment revenue	**206,815**	172,480	**72,263**	62,123	**25,006**	22,926	**3,042**	2,820
Segment cost of revenues	**(154,033)**	(118,137)	**(56,583)**	(49,108)	**(13,494)**	(11,902)	**(1,856)**	(1,833)
Segment profit from operations	**45,020**	46,802	**13,057**	10,513	**10,232**	9,896	**833**	729
	As at 31 December 2012 RMB million	As at 31 December 2011 (Restated) RMB million	**As at 31 December 2012 RMB million**	As at 31 December 2011 (Restated) RMB million	**As at 31 December 2012 RMB million**	As at 31 December 2011 (Restated) RMB million	**As at 31 December 2012 RMB million**	As at 31 December 2011 (Restated) RMB million
Segment total assets	**259,595**	212,128	**153,240**	143,498	**83,411**	65,447	**16,442**	12,930
Segment total liabilities	**(124,916)**	(107,495)	**(99,668)**	(92,691)	**(43,349)**	(33,074)	**(8,161)**	(6,386)

	Shipping		Unallocated items		Eliminations		Total	
	2012 RMB million	2011 (Restated) RMB million	**2012 RMB million**	2011 (Restated) RMB million	**2012 RMB million**	2011 (Restated) RMB million	**2012 RMB million**	2011 (Restated) RMB million
Revenue from external customers	**2,609**	2,961	**727**	764	**–**	–	**250,260**	209,225
Revenue from inter-segment transactions	**1,711**	2,138	**266**	73	**(62,179)**	(57,060)	**–**	–
Sub-total of segment revenue	**4,320**	5,099	**993**	837	**(62,179)**	(57,060)	**250,260**	209,225
Segment cost of revenues	**(3,697)**	(4,377)	**–**	–	**61,909**	56,719	**(167,754)**	(128,638)
Segment profit from operations	**676**	681	**29**	412	**(243)**	(327)	**69,604**	68,706
	As at 31 December 2012 RMB million	As at 31 December 2011 (Restated) RMB million	**As at 31 December 2012 RMB million**	As at 31 December 2011 (Restated) RMB million	**As at 31 December 2012 RMB million**	As at 31 December 2011 (Restated) RMB million	**As at 31 December 2012 RMB million**	As at 31 December 2011 (Restated) RMB million
Segment total assets	**5,394**	4,101	**291,291**	266,833	**(352,006)**	(298,430)	**457,367**	406,507
Segment total liabilities	**(1,082)**	(742)	**(170,639)**	(137,244)	**297,005**	239,239	**(150,810)**	(138,393)

Cost of revenues of coal segment

	2012			2011 (Restated)			Change in unit cost
	Cost RMB million	**Volume million tonnes**	**Unit cost RMB/tonne**	Cost RMB million	Volume million tonnes	Unit cost RMB/tonne	%
Cost of coal purchased	**69,685**	**157.8**	**441.6**	45,904	105.2	436.3	1.2
Production cost of self-produced coal	**39,939**	**306.8**	**130.2**	33,500	282.3	118.7	9.7
Materials, fuel and power	**7,808**	**306.8**	**25.4**	6,438	282.3	22.8	11.4
Personnel expenses	**4,385**	**306.8**	**14.3**	4,129	282.3	14.6	(2.1)
Repairs and maintenance	**2,476**	**306.8**	**8.1**	2,122	282.3	7.5	8.0
Depreciation and amortisation	**6,268**	**306.8**	**20.4**	5,858	282.3	20.8	(1.9)
Others	**19,002**	**306.8**	**62.0**	14,953	282.3	53.0	17.0
Cost of coal transportation[1]	**37,428**	**464.6**	**80.6**	35,824	387.5	92.4	(12.8)
Other operating costs	**6,981**			2,909			
Total cost of revenues of coal segment	**154,033**			118,137			

Cost of revenues of power segment

	2012			2011 (Restated)			Change of unit cost
	Cost RMB million	**Power output dispatch 100 million kwh**	**Unit cost RMB/mwh**	Cost RMB million	Power output dispatch 100 million kwh	Unit cost RMB/mwh	%
Cost of power output dispatch	**56,025**	**1,934.6**	**289.6**	48,518	1,756.1	276.3	4.8
Materials, fuel and power	**41,279**	**1,934.6**	**213.4**	36,784	1,756.1	209.5	1.9
Personnel expenses	**3,058**	**1,934.6**	**15.8**	2,439	1,756.1	13.9	13.7
Repairs and maintenance	**2,135**	**1,934.6**	**11.0**	1,592	1,756.1	9.1	20.9
Depreciation and amortisation	**7,727**	**1,934.6**	**40.0**	6,243	1,756.1	35.5	12.7
Others	**1,826**	**1,934.6**	**9.4**	1,460	1,756.1	8.3	13.3
Other operting costs	**558**			590			
Total cost of revenues of power segment	**56,583**			49,108			

Cost of revenues of railway segment

	2012 Cost RMB million	2011 (Restated) Cost RMB million	Change %
Cost of internal transportation business	**11,548**	10,263	12.5
Materials, fuel and power	**2,535**	2,355	7.6
Personnel expenses	**2,306**	2,030	13.6
Repairs and maintenance	**2,490**	2,080	19.7
Depreciation and amortisation	**1,864**	1,833	1.7
External transportation charges	**383**	288	33.0
Others	**1,970**	1,677	17.5
Cost of external transportation	**1,679**	1,496	12.2
Sub-total	**13,227**	11,759	12.5
Other operating costs	**267**	143	86.7
Total cost of revenues of railway segment	**13,494**	11,902	13.4

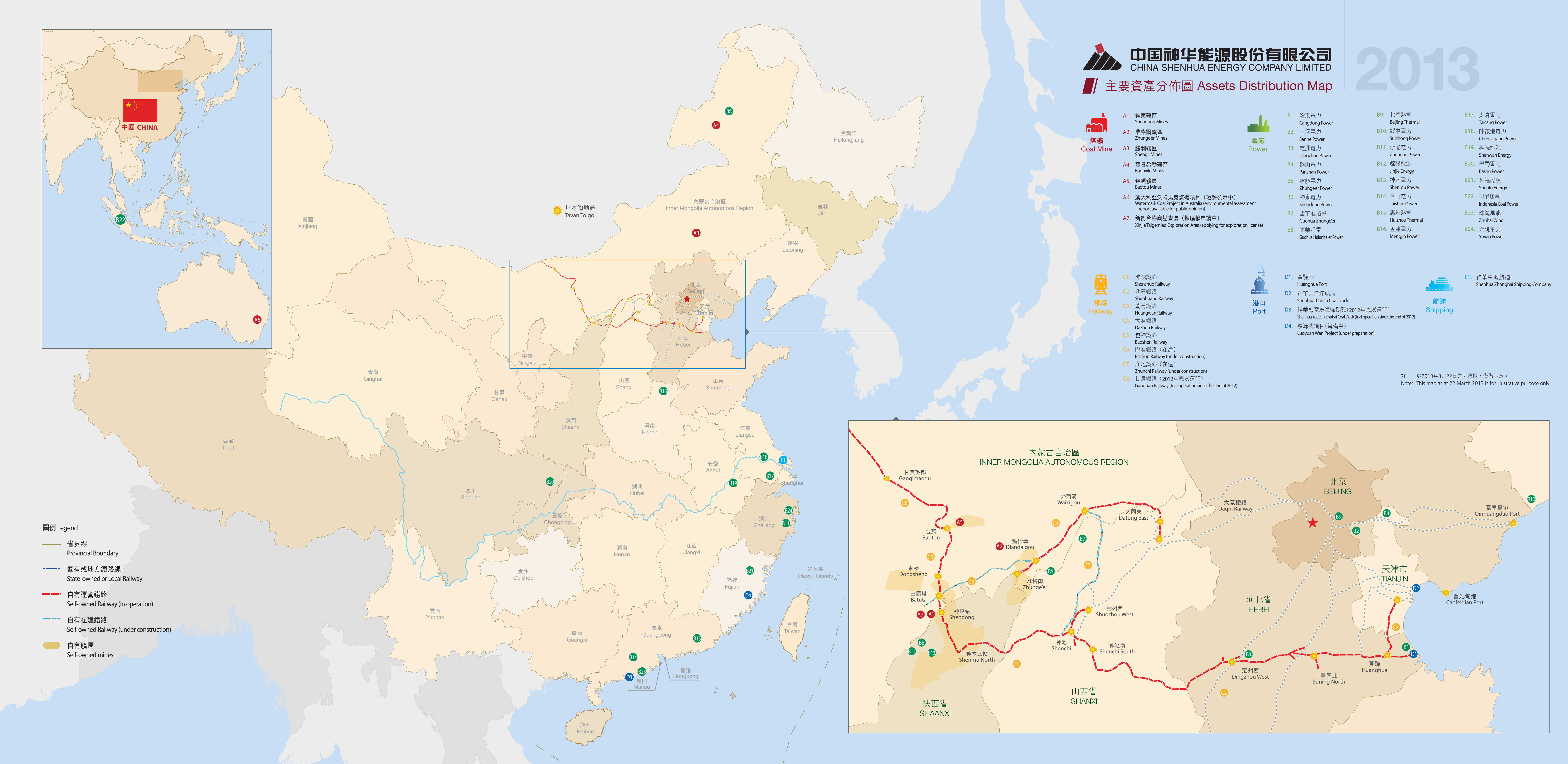
Cost of revenues of port segment

	2012 Cost RMB million	2011 (Restated) Cost RMB million	Change %
Cost of internal transportation business	**1,768**	1,726	2.4
Materials, fuel and power	**246**	266	(7.5)
Personnel expenses	**169**	149	13.4
Repairs and maintenance	**140**	114	22.8
Depreciation and amortisation	**597**	612	(2.5)
Others	**616**	585	5.3
Cost of external transportation	**76**	95	(20.0)
Sub-total	**1,844**	1,821	1.3
Other operating costs	**12**	12	–
Total cost of revenues of port segment	**1,856**	1,833	1.3

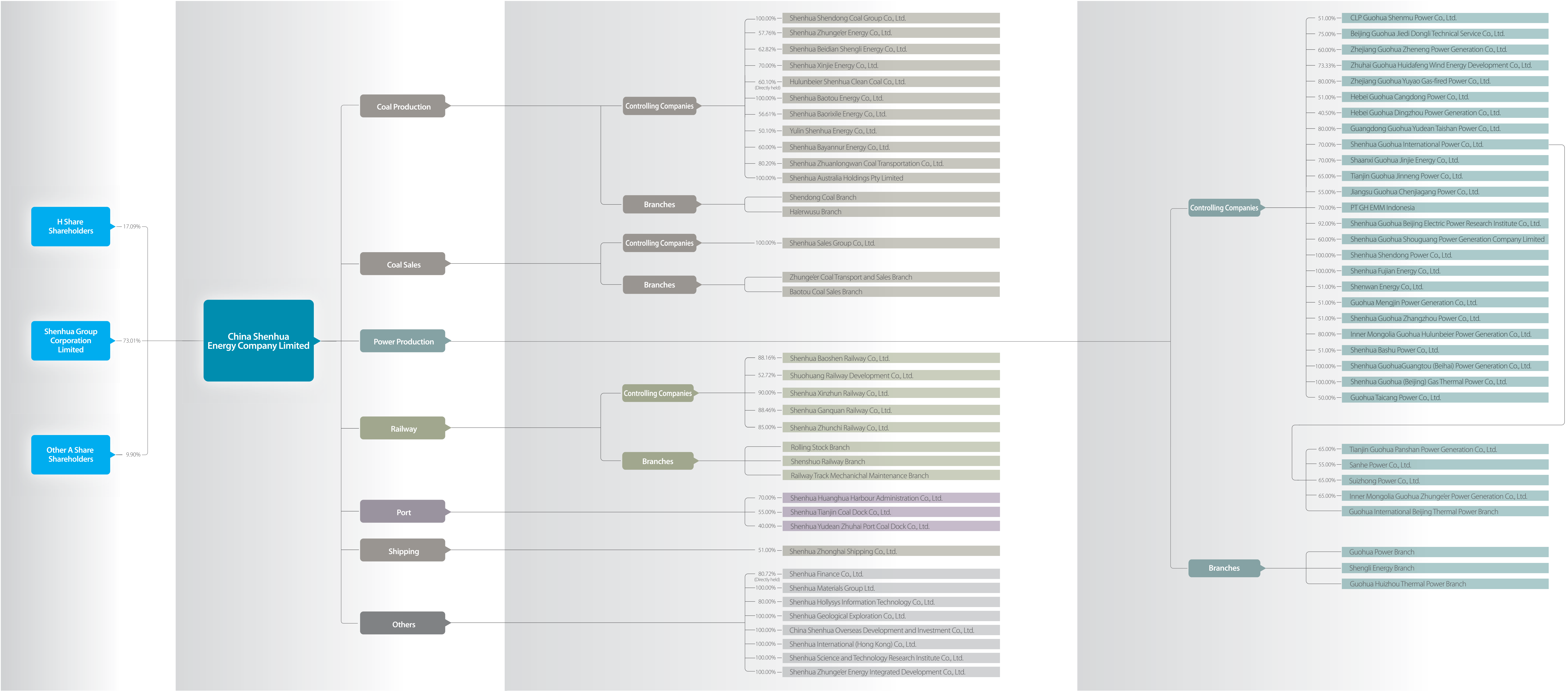
Cost of revenues of shipping segment

	2012 Cost RMB million	2011 (Restated) Cost RMB million	Change %
Cost of internal transportation business	**1,332**	1,794	(25.8)
Materials, fuel and power	**202**	180	12.2
Personnel expenses	**30**	25	20.0
Repairs and maintenance	**16**	13	23.1
Depreciation and amortisation	**83**	62	33.9
External transportation charges	**907**	1,437	(36.9)
Others	**94**	77	22.1
Cost of external transportation	**2,365**	2,583	(8.4)
Total cost of revenues of shipping segment	**3,697**	4,377	(15.5)

Note: (1) Cost of coal transportation refers to the transportation cost before elimination on consolidation.


中国神华能源股份有限公司
CHINA SHENHUA ENERGY COMPANY LIMITED
主要資產分佈圖 Assets Distribution Map
2013
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（環評公示中）
Watermark Coal Project in Australia (environmental assessment report available for public opinion)
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. 巴蜀電力
Bashu Power
B21. 神福能源
Shenfu Energy
B22. 印尼煤電
Indonesia Coal Power
B23. 珠海風能
Zhuhai Wind
B24. 余姚電力
Yuyao Power
鐵路
Railway
C1. 神朔鐵路
Shenshuo Railway
C2. 朔黃鐵路
Shuohuang Railway
C3. 黃萬鐵路
Huangwan Railway
C4. 大准鐵路
Dazhun Railway
C5. 包神鐵路
Baoshen Railway
C6. 巴准鐵路（在建）
Bazhun Railway (under construction)
C7. 准池鐵路（在建）
Zhunchi Railway (under construction)
C8. 甘泉鐵路（2012年底試運行）
Ganquan Railway (trial operation since the end of 2012)
港口
Port
D1. 黃驊港
Huanghua Port
D2. 神華天津煤碼頭
Shenhua Tianjin Coal Dock
D3. 神華粵電珠海煤碼頭（2012年底試運行）
Shenhua Yudean Zhuhai Coal Dock (trial operation since the end of 2012)
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
註： 於2013年3月22日之分佈圖，僅做示意。
Note: This map as at 22 March 2013 is for illustrative purpose only.
圖例 Legend
省界線
Provincial Boundary
國有或地方鐵路線
State-owned or Local Railway
自有運營鐵路
Self-owned Railway (in operation)
自有在建鐵路
Self-owned Railway (under construction)
自有礦區
Self-owned mines
中國 CHINA
塔本陶勒蓋
Tavan Tolgoi
新疆
Xinjiang
西藏
Tibet
青海
Qinghai
甘肅
Gansu
寧夏
Ningxia
內蒙古自治區
Inner Mongolia Autonomous Region
黑龍江
Heilongjiang
吉林
Jilin
遼寧
Liaoning
北京
Beijing
天津
Tianjin
河北
Hebei
山西
Shanxi
山東
Shandong
陝西
Shaanxi
河南
Henan
江蘇
Jiangsu
安徽
Anhui
上海
Shanghai
湖北
Hubei
四川
Sichuan
重慶
Chongqing
浙江
Zhejiang
湖南
Hunan
江西
Jiangxi
貴州
Guizhou
福建
Fujian
釣魚島
Diaoyu Islands
台灣
Taiwan
雲南
Yunnan
廣西
Guangxi
廣東
Guangdong
香港
Hongkong
澳門
Macau
海南
Hainan
內蒙古自治區
INNER MONGOLIA AUTONOMOUS REGION
甘其毛都
Ganqimaodu
包頭
Baotou
東勝
Dongsheng
巴圖塔
Batuta
神東站
Shendong
神木北站
Shenmu North
外西溝
Waixigou
點岱溝
Diandaigou
准格爾
Zhunge'er
大同東
Datong East
朔州西
Shuozhou West
神池
Shenchi
神池南
Shenchi South
大秦鐵路
Daqin Railway
北京
BEIJING
秦皇島港
Qinhuangdao Port
天津市
TIANJIN
曹妃甸港
Caofeidian Port
河北省
HEBEI
定州西
Dingzhou West
肅寧北
Suning North
黃驊
Huanghua
山西省
SHANXI
陝西省
SHAANXI

Equity structure diagram



Note: The equity structure diagram of China Shenhua (including major branches/subsidiaries) as at 31 December 2012 is for illustrative purpose only.

Management Discussion and Analysis

Directors' Management Discussion and Analysis on Operations during the Reporting Period

Summary of operations [1]

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

Production and operation reach new heights

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

[1] For discussion details of the external business environment for the Group in 2012, please refer to the section headed "Review and prospect of business environment" under "Prospect of the Company's Future Development".

Continuously improving business performance

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

In accordance with the International Financial Reporting Standards, the Group' revenue for 2012 was RMB250.260 billion (2011: RMB209.225 billion (restated)), representing a year-on-year increase of 19.6%. Profit attributable to equity shareholders of the Company was RMB48.858 billion (2011: RMB45.846 billion (restated)), representing a year-on-year increase of 6.6%. Basic earnings per share[2] was RMB2.456 (2011: RMB2.305 (restated)), representing a year-on-year increase of 6.6%.

As at 31 December 2012, the equity attributable to equity shareholders of the Group per share was RMB12.90, representing an increase of 12.4% from RMB11.47 (restated) as at 31 December 2011. As at 31 December 2012, the Group's return on total assets[3] was 12.5%. Return on net assets[4] for 2012 was 19.0% (2011: 20.1% (restated)), representing a year-on-year decrease of 1.1 percentage points. EBITDA[5] was RMB87.754 billion (2011: RMB84.531 billion (restated)), representing a year-on-year increase of 3.8%. As at 31 December 2012, the Group's total debt to equity ratio[6] was 18.2%, representing a decrease of 0.6 percentage point as compared to 18.8% (restated) as at 31 December 2011.

[2] Basic earnings per share are calculated on the basis of profit attributable to equity shareholders of the Company and the weighted average number of shares for the year.

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

[4] Return on net assets is calculated on the basis of equity attributable to equity shareholders of the Company and the profit attributable to equity shareholders of the Company.

[5] EBITDA is a method for the management to assess the performance of the Company. It is defined as profit for the year plus net finance costs, income tax and depreciation and amortization, and net of investment income and share of profits less losses of associates. The EBITDA presented herein by the Company is used as extra reference for investors with regard to business performance, as management of the Company considers EBITDA is popularly used by securities analysts, investors and other parties concerned as a criterion for the evaluation of the performance of mining companies, which is believed to be helpful to investors. EBITDA is not yet an item acknowledged by the Accounting Standards for Business Enterprises. You should not take it as an alternative indicator of profit for the relevant accounting period to evaluate achievements or performances, nor shall it be taken as an alternative indicator for cash flows generated from operating activities to evaluate liquidity. The calculation of EBITDA by the Company may be different from 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.

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

Review on Consolidated Operating Results

1. Consolidated operating results

(1) Items of consolidated statement of comprehensive income

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

(2) Research and development expenditure

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

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

(3) Major customers and suppliers

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

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

2. Consolidated assets and liabilities

(1) Items of consolidated statement of financial position

No.	Item	As at 31 December 2012		As at 31 December 2011 (restated)		Percentage change in amount	Reasons for changes
		Amount	Percentage to total assets	Amount	Percentage to total assets		
		RMB million	**%**	RMB million	%	%	
1	Property, plant and equipment, net	**236,048**	**51.6**	223,329	54.9	5.7	Mainly attributable to the increase in machinery, equipment, railway and port structures of newly acquired enterprises and those related to mine shaft assets
2	Construction in progress	**61,142**	**13.4**	34,384	8.5	77.8	Mainly attributable to the increased investments in construction of new railways, port capacity expansion, power plants and mines
3	Interest in associates	**4,689**	**1.0**	3,992	1.0	17.5	Mainly attributable to the increase in equity interest held by newly acquired enterprises in associates, and increase in equity interest investment arising from the Company's investment in electricity operation
4	Other non-current assets	**24,614**	**5.4**	18,915	4.7	30.1	Mainly attributable to the increase in prepaid preliminary expenses for mines
5	Inventories	**15,171**	**3.3**	12,939	3.2	17.3	Mainly attributable to the increase in ancillary materials and equipment associated with coal and power operations
6	Accounts and bills receivable, net	**20,028**	**4.4**	13,618	3.4	47.1	Mainly attributable to the increase in receivables from coal sale and power output dispatch as a result of increased revenues
7	Prepaid expenses and other current assets	**14,480**	**3.2**	12,694	3.1	14.1	Mainly attributable to the increase in prepayments for third-party coal and material costs

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

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

(2) Financial assets and liabilities denominated in foreign currencies

Unit: RMB'10,000

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

(3) Charge over assets of the Group

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

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

3. Consolidated cash flows

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

Review on Operating Results by Business Segment[7]

Coal Segment

1. Coal production and mining operation

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

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

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

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

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

[7] For operating results of the Company by segment, please refer to Overview of Operating Conditions by Segment in this report.

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

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

2. Coal sales

(1) Increase in coal sales volume against headwinds

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

(I) Domestic and export sales

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

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

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

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

(II) Sales to external customers and internal power segment

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

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

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

[8] Source: China Coal Market Network

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

(2) Further expansion of the coal sales market

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

(3) Further improved coal product portfolio

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

(4) Further enhanced control over coal sources

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

3. Coal mine production safety

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

4. Coal resources

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

In 2012, the Company's exploration expenses[9] amounted to approximately RMB215 million (2011: RMB326 million (restated)), which was mainly attributed to the relevant exploration expenses of the Watermark Coal Project in Australia.

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

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

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

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

[9] Exploration expenses, which occurred before the conclusion of feasibility study was made, represent the expenses related to exploration and evaluation of coal resources.

5. Operating results

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

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

(2) Unit production cost of self-produced coal

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

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

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

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

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

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

(3) Cost of coal purchased from third parties

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

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

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

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

Power segment

1. Business operations

With a slowdown of China's economy in 2012, the growth rate of power consumption in China decreased to 5.5%[10] from 11.7% in 2011; and due to the contraction of the thermal power market as squeezed by the significant increase of hydropower output, the average utilization hours of coal-fired generators recorded a decline. Capturing the favorable market and seasonal opportunities by enhancing marketing efforts to respond to the changing market, the Company recorded gross power generation and total power output dispatch of 207.90 billion kwh and 193.46 billion kwh respectively, representing an increase of 10.4% (restated) and 10.2% (restated) respectively. Of which, the coal-fired generators recorded power generation of 205.27 billion kwh, and ranked above the national average level for the same period in terms of its year-on-year growth and the average utilization hours. As a result of the refined management and continuous energy saving and consumption reduction endeavors in its power plants, the Company's standard coal consumption for power output dispatch of coal-fired generators for the year was 323g/kwh, 3g/kwh below the standard coal consumption for power output dispatch of 6,000 kw and above power plants in the PRC which was at 326g/kwh[11].

		China Shenhua	National	Difference
Year-on-year growth in power generation of coal-fired generators in 2012	%	10.4	0.3[12]	10.1
Average utilization hours of coal-fired generators in 2012	hour	5,261[Note]	4,965[13]	296

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

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

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

10 Source: Website of the National Energy Bureau
11 Source: Website of the National Energy Bureau
12 Source: Monitoring Report on Power Industry Performance in 2012 prepared by the State Electricity Regulatory Commission
13 Source: Website of the National Energy Bureau

2. **Operating results**

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

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

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

Railway Segment

1. **Business operations**

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

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

2. Operating results

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

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

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

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

Port Segment

1. Business operations

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

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

2. Operating results

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

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

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

Shipping Segment

1. Business operations

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

2. Operating results

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

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

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

Core Competitiveness

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

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

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

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

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

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

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

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

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

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

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

The Company's investments

1. Completion status of capital expenditure and plan for 2013

	Accomplishment in 2012 (RMB100 million)	Plan for 2013 (RMB100 million)	Percentage change of plan for 2013 to accomplishment in 2012 (%)	Percentage of each business plan to total plan for 2013 (%)
Coal segment	**138.96**	**176.7**	27.2	26.2
Power segment	**65.35**	**127.4**	95.0	18.9
Transportation segment	**298.47**	**350.9**	17.6	52.0
Of which: Railway	**241.86**	**266.8**	10.3	39.5
Port	**43.59**	**52.4**	20.2	7.8
Shipping	**13.02**	**31.7**	143.5	4.7
Others	**3.80**	**19.5**	413.2	2.9
Total	**506.58**	**674.5**	33.1	100.0

Total capital expenditure of 2012 amounted to RMB50.658 billion, which was mainly used in the capacity expansion project in Shendong Mines, the coking plant and the methanol project in Bayannaoer Energy, construction of the new Zhunchi, Bazhun and Ganquan railways, capacity expansion of Shuohuang Railway and purchase of railway wagons, and construction of new generators, etc.

Total capital expenditure for 2013 is planned at RMB67.45 billion, which will be mainly used in the purchase of mining equipment and the capacity expansion and upgrade projects by Shendong Mines, Zhunge'er Mines and Baorixile Mines; the preliminary construction of Chongqing Wanzhou Port and Power Project (2x1,000 MW), and other new power plants, as well as the denitrification renovation project for power plants; capacity expansion of Shenshuo and Shuohuang railways, purchase of locomotives and wagons, and construction of Zhunchi and Bazhun railways; construction of Huanghua Port Phase IV and Shenhua Luoyuan Wan integrated port, power and coal reserve project in Fujian; and construction of ships, etc.

The current plans of the Company in relation to capital expenditures in 2013 are subject to development of business plans (including potential acquisitions), progress of investment projects, market conditions, outlook for future operation conditions and obtaining of the requisite permissions and regulatory approvals. Unless required by laws, the Company shall not assume any responsibilities for updating the data of its capital expenditure plans. The Company intends to finance capital expenditures by cash generated from operating activities, short-term and long-term borrowings, part of the proceeds from the initial public offering and other debt and equity financing.

2. External equity investments

The equity investments of the Company in 2012 amounted to RMB15.540 billion, representing a decrease of RMB6.071 billion or 28.1% from RMB21.611 billion last year. Equity investments in the year mainly included the acquisition of Bashu Power Company, capital increases in Shenwan Energy Company and other power companies, and equity investments in Xinzhun Railway Company and Zhunchi Railway Company, etc.

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 to the financial statements in this report.

3. Use of raised proceeds

In September 2007, the Company issued 1.8 billion A shares at the price of RMB36.99 per share via an initial public offering, and raised net proceeds of RMB65.988 billion. As of 31 December 2012, the accumulated amount of proceeds used by the Company was RMB53.861 billion, of which an accumulated amount of RMB37.861 billion was used for investments. During the reporting period, the Company had used RMB7.594 billion in the proceeds.

On the 30th meeting of the second session of the Board of the Company, the Board considered and approved using RMB6.500 billion of the proceeds for temporary liquidity replenishment for a period of six months commencing from 9 October 2012, which is liable to be returned to the designated account for proceeds upon expiry.

As at 31 December 2012, the balance of unused proceeds (less RMB6.500 billion used to temporarily replenish the Company's working capital) was RMB5.627 billion. The proceeds were kept in our designated account for the proceeds (balance of the designated account for proceeds was RMB8.290 billion in total, the difference being interest income from the bank deposit).

For progress of projects funded by the proceeds, please refer to "Special Report on Deposit and Use of Proceeds".

Name of project committed	Whether it is an amended project	Amount committed	Actual amount invested from the date of the proceeds received to the end of the reporting period	Of which: amount invested in the reporting period	Return (total profit) generated during the reporting period	Percentage of the return generated to the total combined profits of the Group for the same period under the Accounting Standards for Business Enterprise	Whether progress is on schedule	Whether the anticipated return is achieved
		RMB'10,000	RMB'10,000	RMB'10,000	RMB'10,000	%		
I. Investments and renovation of coal, power and transportation systems	No	1,668,875	1,537,819	-	N/A	N/A		N/A
Of which: Halagou Mine project	No	169,300	169,300	-	22,453	0.33	Yes	Yes
Bu'ertai mine construction project	No	344,815	344,815	-	156,864	2.33	Yes	Yes
Ha'erwusu open-cut mine project	No	538,600	538,600	-	150,298	2.23	Yes	Yes
Baoshen Railway TDCS Dispatching Command System	No	2,028	2,028	-	N/A	N/A	Yes	N/A
The 2nd extension line of Baoshen Railway, from Shigetai to Ciyaowan	No	4,553	4,553	-	N/A	N/A	Yes	N/A
The 2nd extension line of Baoshen Railway, from Dongsheng to Shigetai	No	5,311	5,311	-	N/A	N/A	Yes	N/A
Purchase of locomotives	No	16,800	16,800	-	N/A	N/A	Yes	N/A
Yijing substation, treatment of pollution by power generation	No	3,649	3,649	-	N/A	N/A	Yes	N/A
Truck management information system	No	547	547	-	N/A	N/A	Yes	N/A
Shenshuo Railway infrared detecting encryption works	No	300	300	-	N/A	N/A	Yes	N/A
Purchase coal wagon C70	No	160,000	159,200	-	N/A	N/A	Yes	N/A
Huanghua Port cargo dumper improvement works	No	4,426	-	-	N/A	N/A	N/A	N/A
Hebei Sanhe power plant phase II	No	31,602	-	-	N/A	N/A	N/A	N/A
Inner Mongolia Guohua Zhunge'er power plant expansion project	No	35,400	33,394	-	11,101	0.17	Yes	Yes
Zhejiang Ninghai power plant phase II	No	105,822	91,883	-	124,405	1.85	Yes	Yes
Phase II of Shaanxi Jinjie coal and power integration project	No	64,050	64,050	-	112,740	1.68	Yes	Yes
Hebei Huanghua power plant phase II	No	48,690	40,824	-	58,138	0.86	Yes	Yes
Hebei Dingzhou power plant phase II	No	45,500	41,493	-	40,887	0.61	Yes	Yes
Liaoning Suizhong power plant phase II	No	87,482	21,072	-	27,301	0.41	N/A	Yes
II. Supplement working capital of the Company and for general business purpose	No	1,600,000	1,600,000	-	N/A	N/A	N/A	N/A
III. Acquisition of strategic assets	No	3,329,963	2,248,313	759,415	N/A	N/A	N/A	N/A
Total		6,598,838	5,386,132	759,415				

4. Significant investments using funds other than proceeds

As at 31 December 2012, the Group has no significant investment using funds other than proceeds, which has a total investment amount exceeding 10% and above of the Group's latest audited net assets.

5. Asset management on trust and entrusted loans

As at 31 December 2012, the Group was not involved in any asset management on trust.

As of 31 December 2012, the Group has not granted entrusted loans with an amount exceeding 10% and above 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 loans that were involved in litigations.

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 RMB37.134 billion; the balance of entrusted loans that the Company's subsidiaries granted to their non-wholly owned subsidiaries and associated companies amounted to RMB6.382 billion. The relevant interest income generated by the foregoing entrusted loans during the reporting period was RMB2.131 billion.

In order to centralise the capital management of the Group, the entrusted loans were provided to subsidiaries and their affiliates which were short of funds to meet operating and development needs. Up to the end of the reporting period, among the above entrusted loans, except for one entrusted loan to Shendong Power Company, a subsidiary of the Company (and the Company is a controlling shareholder of), which is of a principal amount of RMB0.627 billion and has a 5-year maturity period, that was extended for five years on the condition that the borrower is able to provide security and duly repay interest according to the prescribed schedule, all other borrowers of the entrusted loans are capable to repay and are repaying the principal with interest on schedule.

The entrusted loans provided by the Company to its non-wholly owned subsidiaries are set out as follows:

No.	Name of borrower	Amount of entrusted loans	Maturity	Interest	Connected relations	Expected income	Gain or loss from investment
		(RMB million)				(RMB million)	(RMB million)
1	Shenhua Baoshen Railway Co., Ltd.	470	One year	5.40%	Subsidiary (lender is controlling shareholder)	23	20
2	Shenhua Baoshen Railway Co., Ltd.	170	Six to eight years	5.20-5.43%	Subsidiary (lender is controlling shareholder)	11	10
3	Shenhua Xinzhun Railway Co., Ltd.	1,500	Three years	5.54%	Subsidiary (lender is controlling shareholder)	247	85
4	Hulunbeier Shenhua Clean Coal Co., Ltd.	230	Three years	0.00%	Subsidiary (lender is controlling shareholder)	0	-
5	Hulunbeier Shenhua Clean Coal Co., Ltd.	80	One year	0.00%	Subsidiary (lender is controlling shareholder)	0	-
6	Hulunbeier Shenhua Clean Coal Co., Ltd.	150	One year	0.50%	Subsidiary (lender is controlling shareholder)	1	0
7	Shenhua Ganquan Railway Co., Ltd.	350	One year	6.56%	Subsidiary (lender is controlling shareholder)	10	43
8	Shenhua Tianjin Coal Dock Co., Ltd.	80	One year	5.40%	Subsidiary (lender is controlling shareholder)	3	1
9	Shenhua Bashu Power Co., Ltd.	300	One year	0.50%	Subsidiary (lender is controlling shareholder)	3	0
10	Shenhua Zhunchi Railway Company Limited	900	Six months	5.04%	Subsidiary (lender is controlling shareholder)	21	1

No.	Name of borrower	Amount of entrusted loans	Maturity	Interest	Connected relations	Expected income	Gain or loss from investment
11	PT.GH EMM INDONESIA	280	Two years	libor+400bps	Subsidiary (lender is controlling shareholder)	6	24
12	PT.GH EMM INDONESIA	204	Two years	libor+280bps	Subsidiary (lender is controlling shareholder)	12	
13	Suizhong Power Co., Ltd., Inner Mongolia Hulunbeier Power Generation Co., Ltd.	2,230	One year	5.10%	Subsidiary (lender is controlling shareholder)	114	27
14	18 subsidiaries of power business of the Company including Taishan Power and Zheneng Power	28,790	One year	5.40-5.90%	Subsidiary (lender is controlling shareholder)	1,615	1,586
15	Suizhong Power Co., Ltd.	1,400	Three years	5.19%	Subsidiary (lender is controlling shareholder)	90	73

6. Derivative transactions

The swap transaction conducted by the Company targets at borrowings denominated in Japanese Yen and aims at hedging the borrowings denominated in Japanese Yen instead of gaining from investment. The specific measures adopted were in the nature of risk-hedging with exposure to liquidity risk under control. Further, the amount of swap transaction only related to a proportion of borrowings denominated in Japanese Yen conducted by the Company. The swap transactions conducted by the Company were not involved in any litigations.

As at 31 December 2012, the amounts of swap contracts of the Company were RMB660 million. Loss from swap contracts for the reporting period amounted to RMB16 million.

7. Major subsidiaries and associated companies

(1) Operating conditions and results of major subsidiaries and associated companies

No.	Company	Registered capital	Total assets	Net assets	Net profit
		RMB'10,000	RMB'10,000	RMB'10,000	RMB'10,000
1	Shenhua Shendong Coal Group Co., Ltd.	454,770	6,540,656	5,799,212	2,004,860
2	Shenhua Trading Group Ltd.	170,505	3,095,442	1,117,176	835,608
3	Shuohuang Railway Development Co., Ltd.	588,000	2,683,837	1,789,086	500,779
4	Shaanxi Guohua Jinjie Energy Co., Ltd.	227,800	1,040,446	704,206	374,823
5	Shenhua Zhunge'er Energy Co., Ltd.	710,234	2,336,702	1,746,936	250,872
6	Zhejiang Guohua Zheneng Power Generation Co., Ltd.	325,478	1,484,381	541,151	163,853
7	Shenhua Baorixile Energy Industrial Co., Ltd.	116,891	524,687	343,168	108,551
8	Guangdong Guohua Yudean Taishan Power Co., Ltd.	270,000	1,515,314	389,417	97,643
9	Yulin Shenhua Energy Co., Ltd.	100,000	394,805	217,194	94,024
10	Hebei Guohua Cangdong Power Co., Ltd.	177,912	797,941	255,041	64,809

Note: 1. The financial information in the above table was prepared in accordance with the Accounting Standards for Business Enterprises.
2. "Net profit" refers to net profit attributable to the owners of the parent company.
3. Shendong Coal Group Corporation recorded operating income of RMB58,147.93 million and operating profit of RMB21,206.83 million in 2012.
4. Trading Group recorded operating income of RMB185,069.86 million and operating profit of RMB9,642.67 million in 2012.
5. Shuohuang Railway Company recorded operating income of RMB12,152.71 million and operating profit of RMB6,815.00 million in 2012.
6. The financial information of the major subsidiaries and associated companies disclosed above has not been audited or reviewed.

(2) Shenhua Finance Company

As of the end of the reporting period, the Company directly and indirectly holds 99.29% equity interest in Shenhua Finance Company. The Company has entered into a transfer agreement on the proposed transfer of 0.71% equity interests in Shenhua Finance Company held by China Xinhua Airlines Group Company Limited to the Company at the consideration of RMB5 million, which will be effected subject to the approval by the banking regulatory authorities.

On 25 March 2011, the 12th meeting of the second session of the board of directors of China Shenhua considered and approved Resolution on Matters regarding Shenhua Finance Company, pursuant to which the Company would maintain the existing operation policies and strategies of Finance Company and strictly control the deposits placed by China Shenhua and its subsidiaries (branches) with Finance Company. Details of the resolution are set out in the "Announcement on Resolutions of 12th Meeting of the Second Session of the Board of Directors" dated 26 March 2011 (No. Lin 2011-012).

Shenhua Finance Company strictly implemented the above resolutions passed at the 12th meeting of the second session of the Board of China Shenhua during the reporting period and no violation of such resolutions has occurred.

A. Board of Directors of Shenhua Finance Company

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

The board of directors of Shenhua Finance Company currently comprises seven members, namely Dr. Ling Wen as chairman, Ms. Mei Xueyan as executive director and general manager, Mr. Che Jianming as executive director and deputy general manager, Mr. Hao Jianxin and Mr. Shao Xiaotong as non-executive directors, Mr. Wang Debin as independent director and Ms. Zhang Donghui as employee director.

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

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

Mr. Che Jianming, the executive director and deputy general manager, has served as a director of Shenhua Finance Company since January 2005. Mr. Che Jianming had worked in investment banks 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 have extensive experience in finance and bank management.

The two non-executive directors, namely Mr. Hao Jianxin and Mr. Shao Xiaotong, 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 performs their duties 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 2012, the board of directors of Shenhua Finance Company held four 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. The original Strategy Development and Investment Management Committee were dissolved and its duties are undertaken directly by the board of directors.

(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 2012, the Related Party Control Transaction Committee held three meetings.

(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 and co-chaired by the company's Chief Risk Officer Mr. Qu Jianzhong. All its eight members have experience in financial industry for years, especially the extensive experience in risk management and control in financial institutions.

In 2012, 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 2012, the Credit Approval Committee held 19 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 (Tentative)". The major duties of the committee are: (1) to implement the guidelines and policies of the board of directors, and consider the investment management system proposed by business unit; (2) to consider and propose the company's investment scale, investment plan and strategy and the asset allocation scheme for a given period; (3) to organize the implementation of the company's established stop-loss limits for investment securities, and review the stop-loss limits for specific categories; (4) to review the proposed adjustments to stop-loss and stop-profit limits for specific categories; (5) to determine and adjust the securities pool; (6) to approve each investment with accumulated balance of principal exceeding the limit authorized by the committee; (7) to consider the granting of credit lines relevant to the company's investment activities and other significant matters; (8) to authorize investment business as appropriate; and (9) to consider other issues to be determined by the committee.

No meeting was held by the Investment Decision Committee in 2012.

C. Risk Management and Internal Control

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

In 2012, the company set up a risk control department which reports to the Chief Risk Officer and is led by the Risk Management Committee. With one head, one audit officer and one risk control officer, the risk control department is responsible for the company's risk, compliance, audit and internal audit matters.

Shenhua Finance Company continuously establishes and optimizes various risk management and internal control systems, and gradually implements overall risk management. In 2012, the company established a sound risk management system by formulating a series of regulations including "Work Rules of the Risk Management Committee of Shenhua Finance Company Limited (Tentative)", "Overall Risk Management System of Shenhua Finance Company Limited (Tentative)", "Administration Measures for Compliance of Risk Management of Shenhua Finance Company Limited (Tentative)", and "Emergency Plan and Response Guidelines of Shenhua Finance Company Limited (Tentative)".

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

In 2012, Shenhua Finance Company operated its business in strict compliance with laws to ensure the safety of operation of capital and continued to have no non-performing assets. All indicators including capital adequacy ratio, non-performing loan ratio, current ratio and loan-to-deposit ratio of the company met the regulatory requirements.

D. Deposits and Borrowings of Shenhua Finance Company during the Reporting Period

(A) Total deposits and borrowings at the end of the period

	As at 31 December 2012	As at 31 December 2011	Changes
	RMB million	RMB million	%
Balance of deposits	**31,515.41**	20,650.62	52.61
Balance of borrowings (including discounted notes)	**17,634.80**	10,216.09	72.62
Of which: balance of guaranteed borrowings (including discounted notes)	**400.00**	1,933.89	(79.32)

(B) Balance of deposits and borrowings of the top ten customers

a. Balance of deposits of the top ten customers

No.	Name of customer	As at 31 December 2012	Change in 2012
		RMB million	RMB million
1	China Shenhua Energy Company Limited	**12,594.47**	7,609.66
2	Shenhua Group Corporation Limited	**10,442.51**	2,343.94
3	China Shenhua Coal Liquefaction and Chemical Company Limited	**1,675.56**	508.38
4	Shenhua Wuhai Energy Company Limited	**952.25**	90.96
5	Shenhua Science and Technology Developing Co., Ltd.	**946.86**	(13.74)
6	Shenhua Ningxia Coal Industry Group Co., Ltd.	**930.19**	(228.93)
7	Shenhua Guoneng Group Company Limited	**818.55**	818.55
8	Shenhua International Trading Co., Ltd.	**753.86**	108.94
9	Guohua Energy Investment Co., Ltd.	**594.06**	144.73
10	Shenhua Coal Trading Company Limited	**384.95**	(420.51)

b. Balance of borrowings of the top ten customers

No.	Name of customer	As at 31 December 2012	Change in 2012
		RMB million	RMB million
1	Shenhua Shendong Power Co., Ltd.	**2,603.00**	876.00
2	Shenhua Guoneng Group Company Limited	**2,450.00**	2,450.00
3	Shenhua Bayannur Energy Co., Ltd.	**1,770.00**	1,770.00
4	Shenhua Ningxia Coal Industry Group Co., Ltd.	**1,500.00**	100.00
5	Shaanxi Shenyan Coal Co., Ltd.	**1,500.00**	35.00
6	Shenhua Xinzhun Railway Co., Ltd.	**1,000.00**	1,000.00
7	Shenhua Ganquan Railway Co., Ltd.	**890.00**	890.00
8	Shenhua Yudean Zhuhai Port Coal Dock Co., Ltd.	**838.00**	838.00
9	Shenhua Guohua International Power Co., Ltd.	**790.00**	790.00
10	Anhui Ma'anshan Wan'nengda Power Generation Co., Ltd.	**599.00**	599.00

(C) Approval of borrowings during the reporting period

Item	2012
	RMB million
Amount of contracted borrowings	23,048.00
Amount of granted borrowings (including discounted assets) Note	13,372.80
Of which: amount of guaranteed borrowings (including discounted assets) Note	–
Amount of rejected borrowings	–

Note: The amount of granted borrowings refers to the balance as at 31 December 2012 of the borrowings granted in the current year, in connection with the borrowings contracts signed in 2012.

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

During the report period, the Company has made no change in accounting policies and accounting estimates or correction of significant accounting errors.

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

During the reporting period, the Company has no significant changes in major accounting policies and accounting estimates. Please refer to Notes 2 and 3 to the financial statements in this report.

Directors' Management Discussion and Analysis in relation to Future Development

Review and prospect of business environment[1]

(I) Macroeconomic conditions

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

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

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

(II) Market environment of the coal industry

1. Thermal coal market in China

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

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

[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 in updating the information or correcting any subsequent error that may appear. The opinions, estimates and other data set out herein can be amended or withdrawn without further notice. The data contained in this section is mainly derived from sources such as the National Bureau of Statistics, China Coal Market Network, China Coal Resource Network and China Electricity Council, etc.

Review for 2012

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

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

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

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

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

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

Prospect for 2013

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

Factors affecting coal supply in 2013:

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

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

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

Factors affecting coal demand in 2013:

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

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

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

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

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

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

2. Thermal coal market in Asia Pacific region

Review for 2012

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

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

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

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

Prospect for 2013

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

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

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

(III) Market environment of the power industry

Review for 2012

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

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

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

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

Prospect for 2013

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

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

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

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

Development Strategy of the Company

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

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

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

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

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

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

(II) China Shenhua's main challenges ahead:

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

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

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

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

(III) Development Strategy of China Shenhua

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

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

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

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

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

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

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

Business Target for 2013

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

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

Capital requirement and funding sources

For the Company's capital expenditure plan and funding sources in 2013, please refer to the chapter headed "The Company's investments".

During the reporting period, the Board of the Company was authorized by the general meeting:

(1) a mandate on equity financing: to, by reference to market conditions and in accordance with needs of the Company, to allot, issue and deal with, either separately or concurrently, additional domestic shares (A shares) and overseas-listed foreign invested shares (H shares) not exceeding 20% of each of the number of domestic shares (A shares) and the number of overseas-listed foreign invested shares (H shares) in issue at the time of passing this resolution at annual general meeting. Pursuant to PRC laws and regulations, the Company will seek further approval from its shareholders in general meeting for each issuance of domestic shares (A shares) even where this general mandate is approved.

(2) a mandate on debt financing: to determine the proposed issue of debt financing instruments of the Company within the limit of issuance, including but not limited to short-term debentures, medium-term notes, super short-term commercial papers, corporate bonds and enterprise bonds in domestic market as well as Renminbi denominated bonds and foreign currency denominated bonds, etc. in overseas market (excluding convertible bonds that may be converted into equity securities).

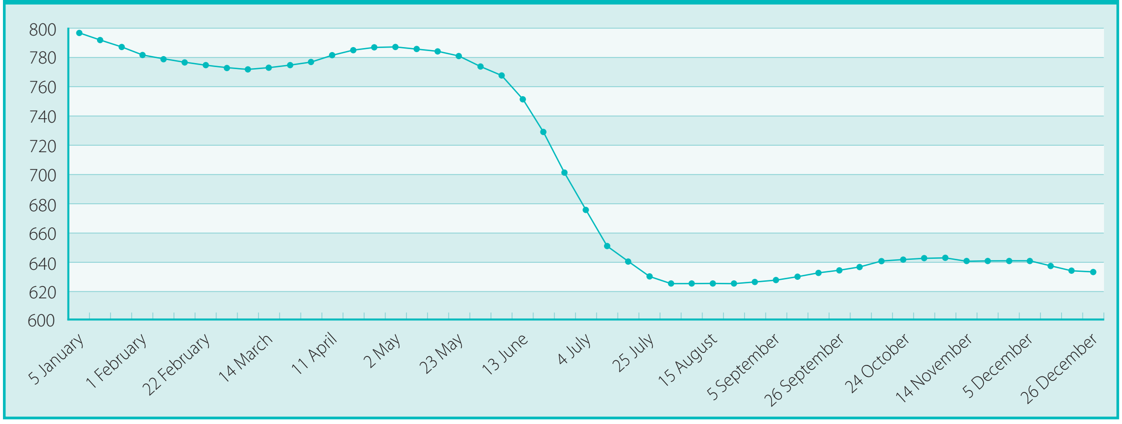
For details of the aforesaid mandates, please refer to the announcements on resolutions passed at the 2011 annual general meeting and the 2012 first extraordinary general meeting of the Company. Currently, the Board of the Company has not exercised the said mandates to conduct any financing activities.

Major risk exposures and their effects

I. Additional risks in 2012

In 2012, the Company was exposed to an additional risk of significant price decrease in coal market. Since early May, spot prices in domestic coal market have experienced a plunge, mainly due to the risk factors including weak recovery of global economy, the lingering slowdown of domestic economy, slower growths in coal demand and the impact from imported coal. The Bohai Bay Thermal Coal Price Index (5,500 kcal) continuously declined from RMB787/tonne to RMB629/tonne, representing a decrease of 20%. The movements of Bohai Bay Thermal Coal Price Index in 2012 are illustrated as below:

Movements of Bohai Bay Thermal Coal Price Index in 2012
(Qinghuangdao Coal Network, www.osc.org.cn)



Such continuous price decreases in coal market would have direct material impact on the Company's business revenue and profit.

In view of this situation, the Company's management made timely decisions on implementing the mega-sales strategy to give full play to the supportive role of its integrated business model. Significant effects were achieved through timely adjustments to product mix and sales strategy, improvements in pricing mechanism and the efforts in marketing. In 2012, commercial coal production volume of the Company amounted to 464.6 million tonnes, representing a year-on-year increase of 19.9%. Under the Accounting Standards for Business Enterprises, the coal segment recorded revenue of RMB206.815 billion, representing a year-on-year increase of 19.9%, and operating profit of RMB44.39 billion, representing a year-on-year decrease of 3.5%.

The coal market in 2013 is expected to maintain a weak equilibrium in general. Further declines of coal spot price, if any, would affect the Company in achieving its business targets for 2013.

II. Major risks in 2013 and the countermeasures

(I) Risk of macroeconomic fluctuations

The coal and power industries, in which the Company operates, are two of the fundamental sectors of the national economy and are closely correlated to the prosperity of the national economy. China is expected to pick up its economic growth at a steady pace in 2013, as compared with the rapid growth in previous years. However, the conflict between economic downsides and relative overcapacity might be escalated as uncertainties still remain in the recovery of the macro economy. The coal market in 2012 demonstrated the pattern of a buyer's market, mainly due to the economic slowdown and downstream enterprises running below capacity. With the implementation of the growth stabilizing policies and a recovery of economy in China, the fundamentals for an improving coal market will be gradually reinforced. Cyclical fluctuations of the economy may materially affect the Company's results.

To cope with the risk of macroeconomic fluctuations, the Company will further strengthen the studies on macroeconomic fluctuations especially the industrial trends relating to the Company's products, and constantly optimize its development strategy.

(II) Risk of market competition

The coal market is exposed to market competition factors such as the impact from imported coal, rigid costs of coal enterprises, high inventories of coal and the increasing difficulty in acquiring coal resources, and is thus expected to maintain a weak equilibrium in general, with occasional or regional coal surplus or intensified competition potentially. On the power market, the power consumption in China is estimated to maintain low growth in 2013. Given the market competition factors including uncertain hydropower output, the diminishing room for non-planned substituted power and the campaign of environmental renovation, competition in thermal power market will be more intense in aspects such as securing favorable dispatch of power and higher on-grid power tariffs. Such competitions may have adverse impacts on the Company such as lower sales prices of coal products and lower power generation than expected, and therefore affect the Company's business results.

To cope with the risk of market competition, the Company will press ahead with the timely collection and analysis of market information, and further strengthen the study on market situation to improve its market forecast ability. Sales strategy will be improved under a well-established sales management system, with forward-looking considerations and advance deployment of strategies to develop a sound working plan against market risks. Efforts will also be stepped up for the prompt alert of market anomalies to enhance resistance 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 such as "increasing the consumption proportion of non-fossil energy to 11.4%" and "decreasing the emission of carbon dioxide per unit GDP by 17% compared to 2010" by year 2015 put forward by China's government, as well as the policies on restricting coal production volume issued by the National Development and Reform Commission and other governmental authorities. For the power industry, the major factors include the appeal of carbon emission reduction, structural surplus in certain regions due to the lagged construction of power transmission lines and the environmental capacity constraints, as well as the constant stringent control on new construction of thermal power projects by governmental authorities. Such policies have an objective impact on the authorization of the Company's new 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, as well as strengthen communications with the competent authorities and the organization and coordination of the project authorization work. Meanwhile, the Company will integrate its resources and enhance accountability in project authorization procedures, and strengthen the training and communications for project preparation teams to effectively advance the project authorization progress.

(IV) Risk of rising costs

As the mining process proceeds further, the Company's unit mining cost may increase gradually. Furthermore, potential inflation risk resulting from rapid domestic economic growth and increase of bulk commodity prices may lead to the increase in the Company's costs of raw materials and fuels. The increase in policy-driven costs arising from the potential tax reforms and more stringent safety and environment policies may also affect the Company's cost, and thus may have a significant impact on the Company's business.

To cope with the risk of risking costs, the Company will optimize its budget management, and improve the coordination among annual business plans, daily dispatching schedules and financial budgets. The materials management system with centralized procurement on a common management platform will be further improved. At the same time, cost efficiency initiatives will be pushed forward in the austerity principle to exercise strict control over project investment, production consumption and various costs and expenses, so as to ensure the achievement of business targets.

(V) Risk of environmental protection

The increasingly rigorous environmental protection laws and regulations, standards and policies will affect the operations of coal and power generation businesses. The current policies on the responsibility system of pollutant emission reduction goal, environmental assessment of construction projects and the pre-determination of aggregate indicators, denitration power tariff and emissions trading will continue to progressively come into force. The recently issued national "Twelfth Five-Year Plan on the Prevention of Air Pollution in the Key Regions" (Huanfa [2012] No.130) will have certain impact on the development of electric power industry. Under the existing legislation, the management of the Company believes that, other than those already accounted for in the financial statements, there are currently no environmental protection obligations that may have material adverse effect on the Company's financial position.

To cope with the risks of environmental protection, the Company will continuously improve the working mechanism for environmental risk controls by increasing efforts in perfecting the systems on "statistics, inspection and assessment", conduct specific inspection on environmental risk controls, seek to identify hidden hazards and take prompt rectification measures. In addition, the Company will increase investment in environmental protection, strengthen operation and management of environmental facilities in order to meet the energy conservation and emission reduction targets and preclude any material environmental pollution accident.

(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 safety production for its coal mines, there are uncertainties in the course of safety 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, define clearer safety management duties and strengthen assessment and training while reinforcing process management and source control, focusing on the control over major disasters and advancing the safety assurance system to achieve the safety production targets.

(VII) Risk of integrated operations

The integrated business model of coal, power, railway, port and shipping operations is an established strength of the Company but also implies inherent systematic risk. In case of poor organization or coordination or a discontinuation of any link in integrated operations, the impact of risk may be amplified and thus have an adverse impact on the Company's business results.

To cope with the risk of integrated operations, the Company will take an array of measures based on safety production, to ensure scientific scheduling of production, transportation and sales segments, secure stable and high output of raw coal and enhance the transportation capacity of its railway and port segments while integrating sales resources to consolidate and develop the market. At the same time, the Company will promote the ERP information system to facilitate integrated financial operations, with an aim at balanced production and uninterrupted integrated operations to maximize its competitive strengths.

(VIII) Risk of international operations

As the international economic situation is still not optimistic in general, substantial investments still imply great risks. Due to the complex economic, social and political conditions in the globe and the fluctuations in exchange rate, the risk of investments in different countries varies significantly. Given the highly competitive energy market worldwide, the investment options, albeit with a limited number, have high technical requirements and the demanding resource and mining conditions. 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 has established international investment strategy and plan. To improve information analysis prior to the decision of overseas project investment, the Company will earnestly carry out overseas resource evaluation and project assessment. 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 risks 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 from natural disasters.

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

Profit distribution plan

Profit distributions for the past three years

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

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

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

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

Profit distribution plan for the reporting period

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Daily operations of the Board

Please refer to relevant sections regarding Corporate Governance Structure and the Corporate Governance Report herein.

Fulfillment of corporate social responsibilities

During the reporting period, there were no material environmental protection or other social security issues for the Company. For details of the Company's CSR endeavors in relation to matters such as environmental protection and safety, please refer to the Company's 2012 CSR report which is disclosed in conjunction with this report.

Changes in Equity and Shareholdings of Substantial Shareholders

Changes in Equity

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

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

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

Changes in shares with selling restrictions

There were no changes in shares with selling restrictions of the Company during 2012.

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

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

The "Resolution on Granting a General Mandate to the Board of Directors to Repurchase A shares and H shares of the Company" was considered and approved at the annual general meeting for the year 2011, the 2012 first class meeting of the holders of A shares and the 2012 first class meeting of the holders of H shares of the Company held on 25 May 2012, details of which were set out in Announcement on Resolutions Passed at 2011 Annual General Meeting of China Shenhua Energy Company Limited (Lin 2012-020) and Announcement on Resolutions Passed at 2012 First Class Meeting of the Holders of A Shares and 2012 First Class Meeting of the Holders of H Shares of China Shenhua Energy Company Limited (Lin 2012-021) dated 26 May 2012.

Issuance and listing of securities

A. Issuance of securities in the last three years

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

B. Changes in total number of shares and shareholding structure

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

C. Shares held by internal employees

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

D. Convertible Bonds

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

E. 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 shareholders to have priority to subscribe for new shares on a pro rata basis in the event of new share issuance by the Company.

Shareholders

Total number of shareholders and minimum public float requirement

Unit: accounts

	31 December 2012	18 March 2013
Total number of shareholders	300,884	315,909
Of which: Registered holders of A shares (including Shenhua Group Corporation)	298,300	313,335
Registered holders of H shares	2,584	2,574

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

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

A shares of the Company are underlying securities listed on the Shanghai Stock Exchange issued for margin trading. In accordance with the requirements of securities disclosure, the Company has consolidated ordinary securities accounts and credit securities accounts of holders of A shares based on the shareholders' registration records provided by China Securities Depository and Clearing Corporation Limited for the purpose of calculating the number of shares held by them. Change in shareholdings during the reporting period was calculated based on the aggregate number of shares held by shareholders in ordinary securities accounts and credit securities accounts as at the end of 2011.

Statement on the connected relationships of shareholders and whether they are parties acting in concert are as follows: China Life Insurance Company Limited – Dividend – Individual Dividend – 005L – FH002Hu and China Life Insurance Company Limited – Conventional – General Insurance Product -005L – CT001Hu are both investment products of China Life Insurance Company Limited. Other than the above, the Company is not aware of whether any connected relationship exists between the top ten shareholders without selling restrictions and the top ten shareholders, and whether they are parties acting in concert pursuant to the "Measures for the Administration of Acquisition of Listed Companies".

A. Shares held by top ten shareholders

Unit: Shares

No.	Name of shareholder	Increase (+)/decrease (-) during the reporting period	Total number of shares held at the end of the reporting period	Shareholding percentage (%)	Number of shares with selling restrictions	Number of shares subject to pledge or lock-up	Nature of shareholders
1	Shenhua Group Corporation	+10,808,605	14,521,846,560	73.01	–	Nil	State-owned
2	HKSCC NOMINEES LIMITED	+117,831	3,390,710,117	17.05	–	Unknown	Overseas corporate
3	Account No. 1 of National Council for Social Security Fund	–	180,000,000	0.90	180,000,000	Nil	State-owned
4	China Life Insurance Company Limited – Dividend – Individual Dividend – 005L – FH002 Hu	+22,988,773	72,181,380	0.36	–	Unknown	Others
5	China Construction Bank – Great Wall Brand Merit-chosen Equity Fund	+3,623,709	27,761,365	0.14	–	Unknown	Others
6	Industrial & Commercial Bank of China –Shanghai Index 50 Trading Open-end Index Securities Investment Fund	–7,251,083	26,440,182	0.13	–	Unknown	Others
7	Bank of China Limited – Jia Shi Hu Shen 300 Trading Open-end Index Securities Investment Fund	+26,140,536	26,140,536	0.13	–	Unknown	Others
8	Bank of Communications – E Fund 50 Index Securities Investment Fund	–73,010	25,408,283	0.13	–	Unknown	Others
9	China Life Insurance Company Limited – Conventional – General Insurance Product – 005L – CT001 Hu	+3,402,388	17,691,905	0.09	–	Unknown	Others
10	Yangjiang Xizhilang Pudding Manufacturing Co., Ltd.	+10,366,422	16,164,042	0.08	–	Unknown	Others

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

During the Reporting Period, Shenhua Group Corporation increased its shareholding in the A shares of the Company by 10,808,605 shares in accruals through the trading system of the Shanghai Stock Exchange. Please refer to the "Announcement on Increase of Shareholding in the Company by the Controlling Shareholder of China Shenhua Energy Company Limited" (Lin 2013-001) on 4 January 2013 for details.

B. Shares held by top ten shareholders without selling restrictions

Unit: Shares

No.	Name of shareholder	Number of shares without selling restrictions at the end of the reporting period	Type of shares
1	Shenhua Group Corporation	14,521,846,560	RMB ordinary shares
2	HKSCC NOMINEES LIMITED	3,390,710,117	Overseas listed foreign shares
3	China Life Insurance Company Limited – Dividend – Individual Dividend – 005L – FH002 Hu	72,181,380	RMB ordinary shares
4	China Construction Bank – Great Wall Brand Merit-choosed Equity Fund	27,761,365	RMB ordinary shares
5	Industrial & Commercial Bank of China – Shanghai Index 50 Trading Open-end Index Securities Investment Fund	26,440,182	RMB ordinary shares
6	Bank of China Limited – Jia Shi Hu Shen 300 Trading Open-end Index Securities Investment Fund	26,140,536	RMB ordinary shares
7	Bank of Communications – E Fund 50 Index Securities Investment Fund	25,408,283	RMB ordinary shares
8	China Life Insurance Company Limited – Conventional – General Insurance Product – 005L – CT001 Hu	17,691,905	RMB ordinary shares
9	Yangjiang Xizhilang Pudding Manufacturing Co., Ltd.	16,164,042	RMB ordinary shares
10	Taikang Life Insurance Ltd – Dividend – Individual Dividend – 019L – FH002 Hu	15,371,802	RMB ordinary shares

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

Unit: Shares

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

"

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

As at 31 December 2012, persons as shown in the table below had an interest and/or short position in the shares or underlying shares of the Company which is required to be recorded in the register of equity interests and/or short positions to be kept pursuant to section 336 of Part XV of the Securities and Futures Ordinance (the "SFO", Chapter 571 of the Laws of Hong Kong):

No.	Name of shareholders	Capacity	H Shares/ Domestic shares	Nature of Interest	Number of H shares/domestic shares	Percentage of H shares/domestic shares over total issued H shares/ domestic shares respectively	Percentage of total issued share capital of the Company
						%	%
1	Shenhua Group Corporation	Beneficial owner	Domestic shares	N/A	14,521,846,560	89.03	73.01
2	JPMorgan Chase & Co.	Beneficial owner; Investment Manager; Custodian corporation/ Approved lending agent	H Shares	Long position	378,472,315	11.14	1.90
				Short position	21,709,462	0.64	0.11
				Lending pool	219,390,402	6.46	1.10
3	BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	H Shares	Long position	311,538,538	9.17	1.57
				Short position	58,130,614	1.71	0.29

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

Save as disclosed above, as at 31 December 2012, there was no other interest and/or short position held by any person in the shares or underlying shares of the Company which is required to be recorded in the register to be kept under section 336 of Part XV of the SFO, or was otherwise a substantial shareholder of the Company.

Controlling Shareholder and De Facto Controller

Corporate controlling shareholder

A. Basic information of the controlling shareholder

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

B. Consolidated operating result, financial position and cash flow of Shenhua Group

Unit: RMB million

Major accounting data (prepared in accordance with Accounting Standards for Business Enterprises, unaudited)	For the year 2012
Total operating revenues	338,007
Operating profit	76,716
Net profit	62,609
Of which: net profit attributable to the owner of parent company	44,984
Net cash flow from operating activities	82,740
	As at 31 December 2012
Total assets	809,000
Total liabilities	354,699
Total owners' interest	454,301
Of which: interest attributable to the owner of parent company	301,160

C. Development strategy of Shenhua Group in the future

Development strategy of Shenhua Group Corporation: to pursue scientific development, rebuild Shenhua and double economic aggregate output within five years with an aim of building the Company into a world first-class coal-based integrated energy company with global competitiveness

D. Shareholding in other domestic and overseas controlling and partially holding listed companies of Shenhua Group during the Reporting Period

Names of listed companies	No. of shares held	Percentage of shareholding of that listed company
Guangdong Golden Horse Tourism Group Stock Co. Ltd.	398,862,885	79.04%
Shenzhen Laibao High Technology Co. Ltd.	134,908,100	22.47%
Shenzhen DAS Intelltech Co. Ltd	6,446,694	3.09%
Ningbo Yunsheng Co. Ltd	11,470,400	2.23%
SDIC Xinji Energy Co. Ltd	297,360,000	16.07%

Note: Shareholding in other controlling or partially holding listed companies held by Shenhua Group Corporation stated in the table above is held by its wholly-owned or controlling subsidiaries.

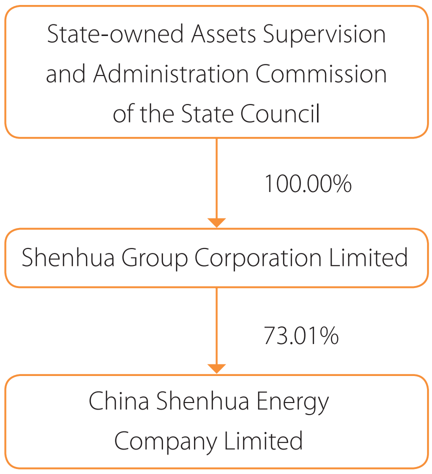
De facto controller

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

Changes in controlling shareholder and de facto controller

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

Diagram of the equity and controlling relationship between the Company and the de facto controller as at the end of the Reporting Period



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

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

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

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

Corporate Governance Structure and Corporate Governance Report

Brief Information on Corporate Governance

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

The Company's compliance with domestic regulatory requirements

There is no material difference between the corporate governance of the Company and the corporate governance requirements under the relevant rules of the China Securities Regulatory Commission ("CSRC"). The Company 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 2012, the Company has been in full compliance with the provisions and most of the recommended best practices as specified therein. For the terms of the scope of the role and authority 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 Meetings of the Board of Directors and rules of procedure of the Board Committees, which have been published on the website of the stock exchange of the areas where the Company are listed and on the Company's website.

According to the Articles of Association of China Shenhua, the Company improved the convening, voting and disclosure procedures of board meetings and rules and procedures of the Board. Procedures for nomination and appointment of directors are in compliance with relevant requirements. The board of directors is a decision-making body of the Company. According to the authority stipulated by the Articles of Association and Listing Rules, the board of directors leads and supervises the Company in a responsible and effective manner. All directors shall act in the best interests of the Company. The roles of the chairman and the president of the Company are two distinctively separate positions. The Articles of Association sets out in details their respective duties.

Members of the board of directors of the Company are from a variety of backgrounds. Members of the board of directors are domestic and overseas individuals from different industries and include a female director. The number of non-executive directors account for more than half of all directors. Each director's knowledge base and field of expertise are professional and complementary in the overall board structure, which guarantees technically rational and sound decision making of the board of directors.

For 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 such as remuneration of the directors, supervisors and senior management of the Company, securities transactions conducted by the directors, shareholding interests of the directors, supervisors and senior management, convening of board meetings, attendance of directors at board meetings and the general meetings, performance of duties by the independent directors, performance of duties by the Board Committees, basis for the Company to create or retain value in the long run and strategy to achieve the Company's targets, please refer to the relevant sections of this chapter and relevant information set out in the Directors' Report.

Explanations for certain special issues

(1) Amendments to rules and regulations during the reporting period

Pursuant to regulatory requirements, the Company revised the Measures on Preventing Inside Dealing at the 23rd meeting of the Second Session of the board of directors held on 23 March 2012. Amendments to the Articles of Association, the Rules of Procedure of Meetings of the Board of Directors and the Related Party Transactions Decision Making Systems were approved at the 2011 Annual General Meeting held on 25 May 2012. Amendments to the Articles of Association were considered and passed at the 30th meeting of the Second Session of the board of directors held on 24 August 2012 and are subject to the approval at the general meeting. The following table sets forth the amendments to the Articles of Association:

No.	Date of approval	Approved at	Main content
1	25 May 2012	2011 Annual General Meeting	Contents including particulars on the procedures for the appointment and selection of vice chairman and senior vice presidents were added.
2	24 August 2012	30th meeting of the Second Session of the board of directors	Amendments were made mainly to the approval procedure of profit distribution plan, the basic principle of profit distribution policy, the specific policy of profit distribution and the proportion of cash dividend pursuant to the requirements set out in Notice on Further Implementing Cash Dividend Distribution Policy Among Listed Companies issued by CSRC and Notice on Further Optimizing Cash Dividend Distribution Policy Among Listed Companies issued by Beijing Regulatory Bureau of CSRC.

Note: Item 2 above is subject to the approval by the Company at the general meeting.

The general meeting of the Company, the board of directors and the supervisory committee operate independently and effectively in accordance with the "Articles of Association" and the respective rules of procedure of meetings. The Company's current regulatory documents in respect of corporate governance primarily include:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22. "Investor Relations Policy of China Shenhua Energy Company Limited"

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

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

25. "Measures for the Administration of Preventing Inside Dealing of China Shenhua Energy Company Limited"*

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

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

The Company have formulated and disclosed the "The Accountability System for Material Errors of Information Disclosure in Annual Report" and implemented as stipulated. As of the date of this report, we are not aware of any material error of information disclosure in annual report.

(2) The establishment and improvement of management system of external information users

The Company formulated the "Measures for the Administration of Preventing Inside Dealing" of China Shenhua in March 2012, which included the matters such as the information disclosure and the registration and management for external information users under the management of the system.

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

(I) Reminder. An individual reminder is made to particular insiders, before the price sensitive period such as 60 days and 30 days before the announcement of annual results, by way of e-mails and phone messages (SMS) and a public reminder is made to potential insiders via the Company's internal website which require the departments in charge for the information disclosure of the Company to manage the insider information duly and to remind the insiders to keep the insider information confidential to ensure prevention and control of insider dealings and build up awareness of regulated securities transactions.

(II) Voluntary disclosure. The Company published the "Announcement on Proposed Acquisition of Certain Assets of Controlling Shareholders" on 24 May 2012 and "Announcement on the Progress of Acquisition of Certain Assets of Controlling Shareholders" on 22 December 2012 to disclose the general information of the assets to be acquired (including the major type of business and size of acquisition) and the progress of such acquisition on a voluntary basis; published the "Announcement on the Major Operational Data of December 2012" on 22 January 2013 to disclose the major business results of 2012 on a voluntary basis. As part of the regular information disclosure, the Company voluntarily discloses the monthly major operational data and business progress. The above disclosure initiatives help reduce unequal distribution of information, eliminate insider dealings and prevent unusual fluctuations of share price.

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

(3) Independence of the Company from its Controlling Shareholder

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

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

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

(4) Explanations for issues regarding horizontal competition

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

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

In 2012, Shenhua Group Corporation has strictly abided by its commitments, and there has been no violation of such commitments. In order to avoid and reduce potential competition in the future, the Company acquired the equity interests or assets of three companies, which engaged in coal trade and power businesses and other related businesses and were owned by Shenhua Group Corporation and its subsidiaries, as well as one railway wagon asset. The Company has also launched the acquisition of assets in relation to the sector of the coal to olefins business from its controlling shareholders. As for new business opportunities, Shenhua Group Corporation carries out relevant procedures in strict compliance to the Non-competition Agreement. Shenhua Group Corporation adhered to the relevant non-competition procedures in the acquisition of 100% equity interests in Shenhua Guoneng Group Co., Ltd. (formerly known as State Grid Energy Development Co., Ltd.) which was held by State Grid Corporation of China in 2012. Please refer to the section headed "Material connected transactions" under the "Significant Events" in this report for details.

The Company will exercise its relevant rights under the Non-competition Agreement to continue to acquire mature, quality, existing and continuing assets of Shenhua Group as and when appropriate in the future.

Establishment, Improvement and assessment of Internal Control System

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

In 2012, the Company carried out assessment of its internal control in accordance with the relevant regulatory requirements of "Basic Standard for Enterprise Internal Control", "Application Guidelines for Enterprise Internal Control" and the "Guidelines for Assessment of Enterprise Internal Control" issued by five ministries and commissions including the Ministry of Finance (hereinafter referred to as Basic Rules and Supplementary Guidelines on Internal Control) and the "Code on Corporate Governance Practices" issued by the Hong Kong Stock Exchange.

The board of directors of the Company authorizes the Internal Control and Audit Department to organize and carry out assessment of internal control. The Company establishes the assessment principles that comply with regulatory requirements in line with the Company's actual situation and represents the Company's characteristics. The scope of assessment includes the secondary and principal business of the Company's headquarters, and its third level subsidiaries (branches) companies. The assessment generally covers 18 guidelines for practices, and the major aspects of the Company's production and operation and focuses on the higher risk areas of the Company, which review the effectiveness of both design and implementation of internal control.

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

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

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

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

The board of directors of the Company has carried out assessment on the relevant internal control for financial reporting in accordance with the "Basic Standard for Enterprise Internal Control", and considered the internal control to be effective as at 31 December 2012 (being the benchmark date).

The Company has engaged KPMG Huazhen (Special General Partnership) to carry out audit on the effectiveness of the relevant internal controls on the Company's financial reporting, and KPMG has issued "Audit Report on Internal Control." It is KPMG's opinion that as at 31 December 2012, China Shenhua has maintained effective internal control over its financial reporting in all material aspects in accordance with "Basic Standard for Enterprise Internal Control" and the relevant requirements.

Please refer to the relevant announcement published on the website of Shanghai Stock Exchange on 23 March 2013 for "The 2012 Assessment Report on the Internal Control" and "Audit Report on Internal Control."

Directors, Supervisors, Senior Management and Employees

Basic Information

(1) Incumbent at the end of the reporting period

Name	Position	Gender	Age	Total remuneration received from the Company during the Reporting Period (before tax)	Whether remuneration or allowance was paid by a shareholder of the Company or other associated companies during term of office in the year
				RMB 10,000	
Zhang Xiwu	Chairman, Executive director	Male	54	–	Yes
Zhang Yuzhuo	Vice chairman, Executive director	Male	50	–	Yes
Ling Wen	Executive director, President	Male	49	98.79	No
Han Jianguo	Executive director, Senior vice president	Male	54	96.30	No
Fan Hsu Lai Tai	Independent non-executive director	Female	67	45.00	No
Gong Huazhang	Independent non-executive director	Male	67	45.00	No
Guo Peizhang	Independent non-executive director	Male	63	45.00	No
Kong Dong	Non-executive director	Male	64	–	Yes
Chen Hongsheng	Non-executive director	Male	62	–	Yes
Sun Wenjian	Chairman of Supervisory Committee	Male	57	–	Yes
Tang Ning	Supervisor	Male	57	105.24	No
Zhao Shibin	Supervisor (Employee representative)	Male	43	98.01	No
Wang Xiaolin	Senior vice president	Male	49	90.88	No
Li Dong	Senior vice president	Male	52	90.88	No
Hao Gui	Senior vice president	Male	50	87.68	No
Xue Jilian	Senior vice president	Male	58	88.27	No
Wang Pingang	Senior vice president	Male	51	87.82	No
Wang Jinli	Vice president	Male	53	103.85	No
Zhai Guiwu	Vice president	Male	49	92.71	No
Huang Qing	Secretary to the Board	Male	47	97.80	No
Zhang Kehui	Chief financial officer	Female	49	95.19	No
Total	/	/	/	1,368.42	/

Note: 1. The remuneration package of the above Directors and Supervisors for the year 2012 is subject to the approval by the Company at the 2012 annual general meeting;

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

3. Directors of the second session of the board of directors of the Company and supervisors of the second session of the Supervisors Committee carry a term of office of three years (from 18 June 2010 to 17 June 2013). They can continue to assume responsibilities in accordance with Articles of Association in case new appointments cannot be made timely.

(2) Resignation during the reporting period

Name	Position	Gender	Age	Total remuneration received from the Company (before tax)	Whether remuneration or allowance was paid by a shareholder of the Company or other associated company during term of office in the year
				RMB'10,000	
Liu Benren	Non-executive director	Male	70	/	Yes
Xie Songlin	Non-executive director	Male	70	/	Yes
Total	/	/	/	/	/

Note: Mr. Liu Benren and Mr. Xie Songlin did not hold any shares of the Company prior to their resignation.

Changes in directors, supervisors and senior management

On 25 May 2012, after the annual shareholders' general meeting for the year 2011, Mr. Liu Benren and Mr. Xie Songlin resigned as the non-executive directors and members of the special committees of the Company on account of their age.

Mr. Kong Dong and Mr. Chen Hongsheng were elected as non-executive directors of the second session of the Board of the Company at the annual general meeting for the year 2011 held on 25 May 2012 for a term until 17 June 2013. On 21 June 2012, during the 27th meeting of the second session of the Board of the Company, Mr.Kong Dong and Mr. Chen Hongsheng were approved to serve as members of the Remuneration Committee and the Audit Committee of the Board respectively, for a term until 17 June 2013.

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

Biographies of the directors, supervisors and senior management

Directors

Dr. Zhang Xiwu

aged 54, Chinese

Chairman and executive director

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

Dr. Zhang Yuzhuo

aged 50, Chinese

Vice chairman and executive director

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

Dr. Ling Wen

aged 49, Chinese

Executive director and president

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

Mr. Han Jianguo

aged 54, Chinese

Executive director and senior vice president

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

Ms. Fan Hsu Lai Tai

aged 67, Chinese

Independent non-executive director

Ms. Fan has served as an independent non-executive director of the second session of the board of directors of the Company since June 2010. Ms. Fan is also a member of the Standing Committee of the 12th National People's Congress of China, an independent non-executive director of China COSCO Holdings Company Limited, Cosco Pacific Limited and China Overseas Land & Investment Ltd. Ms. Fan previously served as director of Career Centre of the University of Hong Kong, assistant dean of Hong Kong Polytechnic Institute, member of Preliminary Working Committee for Preparatory Committee for Hong Kong Special Administrative Region, committee member of Preparatory Committee for Hong Kong Special Administrative Region, president of the Legislative Council for Hong Kong Special Administrative Region, deputy to the 9th and 10th National People's Congress of China and member of the Standing Committee of the 11th National People's Congress. Ms. Fan has extensive experience in legislative and supervision affairs. She received a bachelor's degree in 1967 and a master's degree in 1973 from the University of Hong Kong respectively.

Mr. Gong Huazhang

aged 67, Chinese

Independent non-executive director

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

Mr. Guo Peizhang

aged 63, Chinese

Independent non-executive director

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

Mr. Kong Dong

aged 64, Chinese

Non-executive director

Mr. Kong has served as the non-executive director of the second session of the Board of the Company since May 2012. Mr. Kong is also an external director of Shenhua Group Corporation and China Telecommunications Corporation, a vice president of China National Aviation Corporation (Group) Limited and a member of the 11th National Committee of Chinese People's Political Consultative Conference. He previously served as an assistant to the general manager and deputy general manager of China Offshore Helicopter Service Corporation, general manager of Shenzhen Airport Group Corporation, president of China National Aviation Corporation, president of China National Aviation Corporation (Group) Limited, general manager of China National Aviation Holding Company, chairman and non-executive director of Air China Limited and non-executive director and vice chairman of the board of directors of Cathay Pacific Airways Limited. Mr. Kong is a senior economist and has extensive experience in business operation and management. He graduated from Jiangxi University of Technology in 1977.

Supervisors

Mr. Chen Hongsheng

aged 62, Chinese

Non-executive director

Mr. Chen has served as the non-executive director of the second session of the Board of the Company since May 2012. He is also an external director of Shenhua Group Corporation, Sinotrans & CSC Holdings Corporation Limited and State Development and Investment Corp. of the PRC. Mr. Chen's previous positions included general manager of Shipping Department of China Ocean Shipping Agency Co., Ltd., general manager of COSCO Beijing International Freight Forwarding Company, general director of COSCO International Freight Co., Ltd., vice president of China Ocean Shipping (Group) Company, chairman of COSCO Shipping Co., Ltd., executive director, general manager and non-executive director of China COSCO Holdings Company Limited, and director, chairman of the board of directors and non-executive director of COSCO Pacific Limited. Mr. Chen is a senior economist with rich experience in the production, operation and management of shipping. He graduated from Sichuan International Studies University in 1975 and from Capital University of Economics and Business in 2001, with a postgraduate diploma in business administration.

Mr. Sun Wenjian

aged 57, Chinese

Chairman of the Supervisory Committee

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

Mr. Tang Ning

aged 57, Chinese

Supervisor

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

Mr. Zhao Shibin

aged 43, Chinese

Employees" representative

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

Senior Management

Dr. Ling Wen
aged 49, Chinese
Executive director and president

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

Mr. Han Jianguo
aged 54, Chinese
Executive president and senior vice president

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

Mr. Wang Xiaolin

aged 49, Chinese

Senior vice president

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

Dr. Li Dong

aged 52, Chinese,

Senior vice president

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

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

Dr. Hao Gui
aged 50, Chinese
Senior vice president

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

Mr. Xue Jilian
aged 58, Chinese
Senior vice president

Mr. Wang Pingang

aged 51, Chinese

Senior vice president

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

Dr. Wang Jinli

aged 53, Chinese

Vice president

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

Mr. Zhai Guiwu
aged 49, Chinese
Vice president

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

Mr. Huang Qing
aged 47, Chinese
Secretary to the Board

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

Ms. Zhang Kehui,
aged 49, Chinese
Chief financial officer

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

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

Positions held in shareholders and their subsidiaries

Name	Name of shareholder	Position held	Commencement of term of office	Expiry of term of office	Whether remuneration or allowance was paid by a shareholder of the Company during term of office in the year
Zhang Xiwu	Shenhua Group Corporation	Chairman	2008-12	–	Yes
Zhang Yuzhuo	Shenhua Group Corporation	Director and general manager	2008-12	–	Yes
Ling Wen	Shenhua Group Corporation	Director and deputy general manager	2010-04	–	No
Han Jianguo	Shenhua Group Corporation	Deputy general manager	2003-08	–	No
		Chief information officer	2009-03	–	No
Kong Dong	Shenhua Group Corporation	External director	2012-02	–	Yes
Chen Hongsheng	Shenhua Group Corporation	External director	2012-02	–	Yes
Liu Benren	Shenhua Group Corporation	External director	2005-11	2012-02	Yes
Xie Songlin	Shenhua Group Corporation	External director	2005-11	2012-02	Yes
Sun Wenjian	Shenhua Group Corporation	Head of Disciplinary Team	2008-12	–	Yes
		Union chairman	2009-03	–	Yes
		Employee director	2010-08	–	Yes
Tang Ning	Shenhua Group Corporation	Managing director of the first division of the delegated Supervisory Committee	2011-11	–	No
Wang Xiaolin	Shenhua Group Corporation	Deputy general manager	2006-08	–	No
		Secretary to the Board	2005-12	–	No
Li Dong	Shenhua Group Corporation	Deputy general manager	2006-08	–	No
Hao Gui	Shenhua Group Corporation	Deputy general manager	2010-04	–	No
Xue Jilian	Shenhua Group Corporation	Deputy general manager	2010-04	–	No
Wang Pingang	Shenhua Group Corporation	Deputy general manager	2010-04	–	No
	Beijing Guohua Power Company Limited	Chairman	2011-11	–	No
Wang Jinli	Shenhua Coal Trading Company Limited	Chairman	2010-12	–	No

Positions held in other entities

Name	Name of other entities	Position held	Commencement of term of office	Expiry of term of office	Whether remuneration or allowance was paid
Fan Hsu Lai Tai	China Overseas Land & Investment Limited	Independent non-executive director	2009-02	–	Yes
	COSCO Pacific Limited	Independent non-executive director	2009-01	–	Yes
	China COSCO Holdings Company Limited	Independent non-executive director	2011-05	–	Yes
Gong Huazhang	COFCO Corporation	External director	2011-04	–	Yes
	Dongfang Electric Corporation Limited	External director	2009-04	–	Yes
	Nanyang Commercial Bank (China) Limited	Independent non-executive director	2007-12	–	Yes
	China Railway Group Limited	Independent non-executive director	2007-09	–	Yes
	China Southern Airlines Company Limited	Independent non-executive director	2007-06	–	Yes
Guo Peizhang	Dongfang Electric Corporation Limited	External director	2010-12	–	Yes
Kong Dong	China Telecom Corporation	External director	2012-04	–	Yes
	China National Aviation Corporation (Group) Limited	Vice chairman	2004-06	–	Yes
Chen Hongsheng	SINOTRANS & CSC Holdings Co., Ltd.	External director	2011-12	–	Yes
	State Development & Investment Corp.	External director	2012-04	–	Yes

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

The remuneration of directors and supervisors of the Company are proposed by the Remuneration Committee under the board of directors of the Company, in accordance with international and domestic practices and with reference to the remuneration of directors and supervisors of large-scale listed companies in China, and submitted to the annual general meeting of the Company for approval subject to the consideration and approval by the board of directors of the Company. The remuneration of senior management of the Company is proposed by the Remuneration Committee of the board of directors of the Company in accordance with the Company's operating conditions in 2012 and the "Provisional Measures for the Administration of the Annual Remuneration of the Senior Management" formulated by the Company, and is considered and approved by the board of directors of the Company.

Please refer to the section "Directors, Supervisors, Senior Management and Employees" of this chapter for the particulars on remuneration of directors and supervisors of the Company, and the proposed remuneration package of the directors and supervisors is subject to the approval by the Company's shareholders at the 2012 Annual General Meeting. Details of remuneration are set out in note 11 to the financial statements for the year prepared in accordance with IFRS.

Zhang Xiwu, the Chairman of the board of directors, Zhang Yuzhuo, the Vice Chairman of the board of directors, Kong Dong and Chen Hongsheng, both directors, and Sun Wenjian, the Chairman of supervisory committee, do not receive any remuneration from the Company.

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

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

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

As at 31 December 2012, 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 2012 or during their tenures 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 as well as the training on the listing rules of Mainland China and Hong Kong and corporate governance organized by the Company. 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 shall abstain from the meeting where appropriate. The Company will, during each financial year, require the directors to confirm if they or their associates have entered into any connected transaction with the Company or any of its subsidiaries.

Save for their service contracts with the Company, none of the directors and supervisors of the Company has any material personal interests, directly or indirectly, in material contracts entered into by the Company or any of its subsidiaries in 2012 and subsisting during or at the end of the year of 2012.

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 2012, the Company had not granted any equity securities or warrants to its directors, supervisors and senior management or their respective spouses or children under the age of 18.

Employees of the Company

As at 31 December 2012, the Company had 89,144 employees in total. The total number of retired employees in respect of which the Group bore cost was 7,977. Of which, the number of employees of the headquarter and five major branches and subsidiaries of the Company are as follows:

No.	Name of entity	No. of Employee (person)
1	China Shenhua Energy Company Limited (Headquarters)	694
2	Shendong Coal Group Corporation	23,628
3	Guohua Power Branch	14,199
4	Zhunge'er Energy Company	8,757
5	Shuohuang Railway Company	7,580
6	Shenshuo Railway Branch	6,640

Compositions of the Group's employees was as follows:

By function

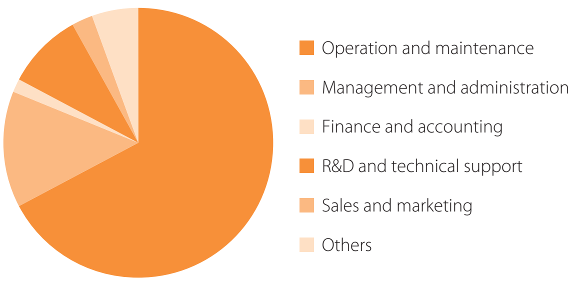
No.	Functions	As at 31 December 2012	As at 31 December 2011	Change
		person	person	%
1	Operation and maintenance	**59,813**	55,536	7.70
2	Management and administration	**12,613**	11,389	10.75
3	Finance and accounting	**1,416**	1,421	(0.35)
4	R&D and technical support	**8,044**	6,656	20.85
5	Sales and marketing	**2,331**	2,629	(11.34)
6	Others	**4,927**	4,629	6.44
	Total	**89,144**	82,260	8.37

Note: During the reporting period, the Group took a further step to establish and integrate employee data processing. The Group also standardized employee data processed by function to better improve the quality of management.

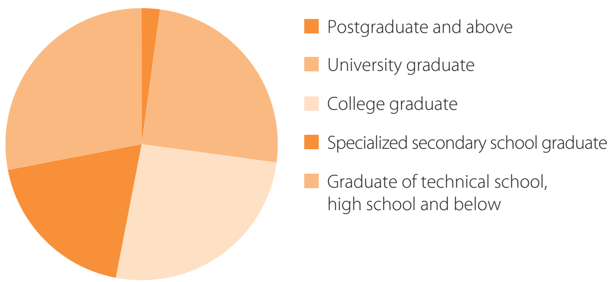
By education level

No.	Degrees of education	As at 31 December 2012	As at 31 December 2011	Change
		person	person	%
1	Postgraduate and above	**2,071**	1,522	36.07
2	University graduate	**22,140**	18,110	22.25
3	College graduate	**23,025**	20,703	11.22
4	Specialized secondary school graduate	**16,971**	17,561	(3.36)
5	Graduate of technical school, high school and below	**24,937**	24,364	2.35
	Total	**89,144**	82,260	8.37

By function



By education level



Explanatory notes:

1. During the reporting period, no changes in the composition of core technical teams or key technical persons (who are not directors, supervisors or senior management) that would significantly affect the core competitiveness of the Company.
2. The Company adopted an competitive remuneration policy for employee and compiled the Five-Year Plan for Employee Education and Training in order to provide the employee with appropriate training in job skills, safe production and group management etc. For details, please refer to the Report on Corporate Social Responsibility of the Company for the Year 2012.
3. During the reporting period, the total outsourced working hours of the Company was 66.48 million hours and the payment for outsourced work was RMB2.84 billion in aggregate.

Operation of General Meetings, Board of Directors and Board Committees of the Company

Brief Information on General Meetings

(1) Shareholders' rights

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

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

The Company makes timely, accurate and complete information disclosures in strict compliance with the listing rules of its place(s) of listing. The Company makes its investor relations hotline, fax and email available to the public to ensure the openness, fairness, equality and consistency for all shareholders in obtaining information. The Company has established an effective communication channel with shareholders through an information disclosure system and a reception system for investors to facilitate shareholders to make enquiries and recommendations to the Board. Shareholders are entitled to be informed and to participate in and make proposal on the significant events of the Company as specified in laws, administrative regulations and the "Articles of Association".

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

(2) Convening of General Meetings

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

Name of meeting	Date	Venue	Number of shareholders/ proxies present at the meeting	Total number of shares represented by attendees	Percentage of total share capital/class share capital
			persons	shares	%
2011 Annual General Meeting	25 May 2012	Beijing	25	16,569,117,155	83.31
2012 First Class Meeting of the Holders of A Shares	25 May 2012	Beijing	17	14,536,340,593	88.15
2012 First Class Meeting of the Holders of H Shares	25 May 2012	Beijing	1	1,819,776,435	53.55
2012 First Extraordinary General Meeting	14 September 2012	Beijing	5	16,372,376,616	82.32

Apart from accepting registration of shareholders' attendance by way of facsimile, the Company also actively invited the attendance of holders of A shares and H shares as well as fund analysts. Sufficient time was given to shareholders for consideration of proposals and for Q&A session. Shareholders actively participated in such sessions and were fully entitled to exercise their various rights such as the right to know, the right of speech, the right to question and the right to vote. The meetings enabled good communication between the management and shareholders.

The shareholders' representative, supervisors' representative, witness lawyers and the representative of Computershare Hong Kong Investor Services Limited, acted as the scrutineers at the general meetings. The PRC legal advisor of the Company, King & Wood, issued the "Legal Opinion on the 2011 Annual General Meeting and the 2012 First Class Meeting of the Holders of A Shares and the 2012 First Class Meeting of the Holders of H Shares of China Shenhua Energy Company Limited" and the "Legal Opinion on the 2012 First Extraordinary General Meeting of China Shenhua Energy Company Limited". KPMG and KPMG Huazhen (Special General Partnership), both being the auditors of the Company, were present at the 2011 Annual General Meeting and read their audit opinions.

For details of the proposals and resolutions, please refer to "Announcement on the Resolutions of the 2011 Annual General Meeting of China Shenhua Energy Company Limited" (Lin 2012-020) and "Announcement on the Resolutions of the 2012 First Class Meeting of the Holders of A Shares and the 2012 First Class Meeting of the Holders of H Shares of China Shenhua Energy Company Limited" (Lin 2012-021) dated 26 May 2015 as well as "Announcement on the Resolutions of the 2012 First Extraordinary General Meeting of China Shenhua Energy Company Limited" (Lin 2012-043) dated 15 September 2012.

(3) Implementation of resolutions passed at the general meeting by the Board

During the reporting period, the Company held the 2011 annual general meeting, the 2012 first class meeting of the holders of A shares and the 2012 first class meeting of the holders of H shares on 25 May 2012 as well as the 2012 first extraordinary general meeting on 14 September 2012, the board of directors and director groups have strictly implemented resolutions passed at the general meetings. Among these resolutions, resolutions involving authorisation and granting of mandates are as follows:

No.	General Meeting	Event	Status
1	2011 Annual General Meeting	To approve the profit distribution plan of the Company for the year 2011 and authorize a director group comprising Zhang Xiwu, Zhang Yuzhuo and Ling Wen to implement the above profit distribution.	The 2011 final dividend was distributed and tax rebate was processed in June and July 2012.
2	2011 Annual General Meeting	To approve the re-appointment of external auditors for the year 2012 and authorize a director group comprising Zhang Xiwu, Zhang Yuzhuo, Ling Wen and Gong Huazhang to determine on their remuneration.	For details of the auditors' remuneration for the year 2012, please refer to the section "Significant Events" of this report.
3	2011 Annual General Meeting	To authorize a director group comprising Zhang Xiwu, Zhang Yuzhuo and Ling Wen to make such amendments they may consider necessary and appropriate to the "Amendments to Articles of Association", the "Amendments to Rules of Procedure of Meetings of the Board of Directors", the "Amendments to Related Party Transactions Decision Making Systems" during the course of application for approval/filing of such documents.	During the course of approval/filing, the regulatory authorities have not required the "Amendments to Articles of Association", the "Amendments to Rules of Procedure of Meetings of the Board of Directors", the "Amendments to Related Party Transactions Decision Making Systems" to be revised.
4	2011 Annual General Meeting	To approve the general mandate granted to the board of directors to, by reference to market conditions and in accordance with needs of the Company, issue additional A shares and H shares of the Company.	Such mandates have not been exercised based on the market conditions and the needs of the Company.
5	2011 Annual General Meeting, the 2012 first class meeting of the holders of A shares and the 2012 first class meeting of the holders of H shares	To approve the general mandates granted to the board of directors to, by reference to market conditions and in accordance with needs of the Company, repurchase A shares and H shares of the Company.	Such mandates have not been exercised based on the market conditions and the needs of the Company.

No.	General Meeting	Event	Status
6	2012 First Extraordinary 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 and President of the Company, and Ms. 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.	The board of directors has approved to register the medium-term notes of RMB50 billion with a term of 5 to 8 years in the domestic banking market and the super short-term commercial papers of RMB20 billion in the domestic banking market, delegate the mandate to Dr. Ling Wen, an executive director and President of the Company, and Ms. Zhang Kehui, Chief Financial Officer, within the scope of this mandate for determining matters including the timing of such issuance and the principal for each issuance and implementing specific measures.

Daily Work of the Board of Directors of the Company

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

After having reviewed the implementation particulars over the year and taking into account the opinion of senior management and supervisory committee's report, the board of directors considers that all directors have effectively performed their duties to safeguard the interests of the shareholders and the Company as a whole.

All the directors have acted in a diligent manner by actively participating in the board meetings and the general meetings, conducting business investigation and research in the Company and its subsidiaries, updating themselves with the Company's business and financial information set out in the "Newsletters to the Directors and Supervisors" provided by the Company on a monthly basis and fulfilling directors' duties in accordance with relevant regulatory requirements. The Company is of the opinion that all directors have devoted necessary and adequate time to performing their duties based on their personal circumstances.

(1) Board meetings of the Company:

In 2012, the Board held a total of 14 meetings, details of which are as follows:

No.	Name	Date	Methods	Resolutions passed
1	The 21st meeting of the second session of the Board	15 February 2012	Correspondence	Please refer to "Announcement of Resolutions Passed at the 21st Meeting of the Second Session of the Board" (Lin2012-003) dated 16 February 2012
2	The 22nd meeting of the second session of the Board	1 March 2012	On-site	Please refer to "Announcement of Resolutions Passed at the 22nd Meeting of the Second Session of the Board" (Lin2012-005) dated 2 March 2012
3	The 23rd meeting of the second session of the Board	23 March 2012	On-site with correspondence	Please refer to "Announcement of Resolutions Passed at the 23rd Meeting of the Second Session of the Board" (Lin2012-009) dated 24 March 2012
4	The 24th meeting of the second session of the Board	20 April 2012	Correspondence	1. "Resolution on the Establishment of Shenhua Guohua Beijing Gas Thermal Power Co., Ltd." 2. "Resolution on the Capital Injection in Shenhua Geological Exploration Co., Ltd."
5	The 25th meeting of the second session of the Board	27 April 2012	On-site with correspondence	Please refer to "Announcement of Resolutions Passed at the 25th Meeting of the Second Session of the Board and Resignation of Directors" (Lin2012-015) dated 28 April 2012
6	The 26th meeting of the second session of the Board	23 May 2012	Correspondence	Please refer to "Announcement on the Commencement of the Acquisition of Certain Assets from Controlling Shareholders" (Lin2012-019) dated 24 May 2012
7	The 27th meeting of the second session of the Board	21 June 2012	Correspondence	Please refer to "Announcement of Resolutions Passed at the 27th Meeting of the Second Session of the Board" (Lin2012-027) dated 22 June 2012
8	The 28th meeting of the second session of the Board	27 July 2012	Correspondence	Please refer to "Announcement of Resolutions Passed at the 28th Meeting of the Second Session of the Board" (Lin2012-030) dated 28 July 2012
9	The 29th meeting of the second session of the Board	10 August 2012	Correspondence	Please refer to "Announcement of Resolutions Passed at the 29th Meeting of the Second Session of the Board" (Lin2012-033) dated 11 August 2012
10	The 30th meeting of the second session of the Board	24 August 2012	On-site	Please refer to "Announcement of Resolutions Passed at the 30th Meeting of the Second Session of the Board" (Lin2012-037) dated 25 August 2012
11	The 31st meeting of the second session of the Board	29 September 2012	Correspondence	1. "Resolution on Equity Investment in Mengxi Huazhong Railway Co., Ltd." 2. "Resolution on the Establishment of a Joint Venture – Shenhua Zhuanlongwan Coal Transportation Co., Ltd."
12	The 32nd meeting of the second session of the Board	26 October 2012	On-site	Please refer to "Announcement of Resolutions Passed at the 32nd Meeting of the Second Session of the Board" (Lin2012-047) dated 27 October 2012
13	The 33rd meeting of the second session of the Board	18 December 2012	Correspondence	1. "Resolution on the Capital Injection in Subsidiaries" 2. "Resolution on the Capital Injection in Shenhua Finance Co., Ltd." 3. "Resolution on the Payment of Relevant Compensation for 'Replacing Small Units with Larger Ones' by Jiangsu Guohua Chenjiagang Power Co., Ltd. to Guohua Xuzhou Power Generation Co., Ltd."
14	The 34th meeting of the second session of the Board	21 December 2012	On-site with correspondence	Please refer to "Announcement on the Progress in the Acquisition of Certain Assets of Controlling Shareholders" (Lin2012-053) dated 22 December 2012

Number of board meetings held during the year	14
Including: Number of meetings held on-site	3
Number of meetings held on-site with correspondence	3
Number of meetings held via correspondence	8

Details of the attendance of directors at Board meetings and the general meetings in 2012 are set out in the table below:

No.	Name of director	Capacity (Independent director, chairman of Board committees)	Required attendance at Board meetings	Attendance in Person	Attendance via correspondence		Attendance by proxies	Absence	Absent at two meetings in a row	Attendance at the general meetings (number of attended meetings/ number of the general meetings)
					Attendance and voting in writing	Attendance of live meeting over the phone				
1	Zhang Xiwu	Chairman of the Strategy Committee, Chairman of the Nomination Committee	14	13	8	0	1	0	No	1/4
2	Zhang Yuzhuo	-	14	14	8	0	0	0	No	0/4
3	Ling Wen	-	14	14	8	0	0	0	No	3/4
4	Han Jianguo	-	14	14	8	1	0	0	No	0/4
5	Fan Hsu Lai Tai	Independent director, Chairman of the Remuneration Committee	14	14	8	1	0	0	No	4/4
6	Gong Huazhang	Independent director, Chairman of the Audit Committee	14	14	8	0	0	0	No	4/4
7	Guo Peizhang	Independent director, Chairman of the Safety, Health and Environment Committee	14	14	8	0	0	0	No	4/4
8	Kong Dong	-	8	8	5	0	0	0	No	1/1
9	Chen Hongsheng	-	8	8	5	0	0	0	No	1/1
10	Liu Benren	-	6	6	3	1	0	0	No	0/3
11	Xie Songlin	-	6	6	3	0	0	0	No	3/3

Notes:
1. Mr. Kong Dong and Mr. Chen Hongsheng were appointed as directors of the Company upon the conclusion of the annual general meeting on 25 May 2012. A total of 8 Board meetings and 1 general meeting were held during their terms of office in the year.
2. Mr. Liu Benren and Mr. Xie Songlin resigned as directors upon the conclusion of the annual general meeting on 25 May 2012. A total of 6 Board meetings and 3 general meetings were held during their terms of office in the year.
3. Unlike attendance by proxy or absense, attending board meetings in writing, through telephone or on-site shall be regarded as attendance in persons and counted in attendance.

(2) Operation of Board Committees of the Company

A. Performance of duties by the Strategy Committee

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

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

In 2012, the Strategy Committee held two meetings, and all members of the Committee attended all meetings in person. The details of the meetings are as follows:

No.	Name	Date	Methods	Attendees	Resolutions passed
1	The third meeting of the Strategy Committee of the second session of the Board	27 February 2012	Correspondence	Entire members	"Resolution on the Acquisition of Certain Assets from Shenhua Group, the Controlling Shareholder of the Company, and its Subsidiaries"
2	The fourth meeting of the Strategy Committee of the second session of the Board	18 December 2012	Correspondence	Entire members	"Resolution on the operating plan of China Shenhua Energy Company Limited for the year 2013"

B. Performance of duties by the Audit Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In 2012, the Audit Committee held 11 meetings, and all members of the Committee attended all meetings in person. The details of the meetings are as follows:

No.	Meeting	Date	Methods	Attendees	Resolution passed
1	The 15th meeting of the Audit Committee of the second session of the Board	24 February 2012	On-site	Entire members	"Resolution on the acquisition of partial assets of Shenghua Group, the controlling shareholder, and its subsidiaries"
2	The 16th meeting of the Audit Committee of the second session of the Board	14 March 2012	Correspondence	Entire members	1. "Resolution on 2011 Assessment Report on the Internal Control of China Shenhua Energy Company Limited (2011) (Draft)" 2. "Resolution on Financial Report (Domestic and International) of China Shenhua Energy Company Limited for the Year 2011 (Draft)"
3	The 17th meeting of the Audit Committee of the second session of the Board	19 March 2012	On-site	Entire members	1. The audit progress report submitted by the Company's auditor of the year – KPMG 2. Report on the accounting policies, the preparation of the financial statements and the financial position in 2011 submitted by the Financial Department 3. "Resolution on the audited financial report of China Shenhua Energy Company Limited for the Year 2011" 4. "Resolution on the 2011 Profit Distribution Plan of China Shenhua Energy Company Limited" 5. "Resolution on the Special Report on Deposit and Actual Use of Proceeds of the Company" 6. "Resolution on the Explanatory Notes to Appropriation of Fund by Related Parties" 7. "Resolution on the Provisional Use of a portion of the Idle Proceeds as Working Capital" 8. "Resolution on 2011 Assessment Report on Internal Control of China Shenhua Energy Company Limited" 9. "Resolution on the Re-appointment of the External Auditor for the Year 2012" 10. "Resolution on the Audit Fee of the Auditor of the Company for the Year 2011 and the Term of Service of the Auditor" 11. "Resolution on the Summary Report on the Performance of Duties by the Audit Committee of the Board of the Year 2011" 12. "Resolution on the Highlight of the Audit on Internal Control of China Shenhua Energy Company Limited in 2012" 13. "Resolution on the Working Proposal on the Implementation of Internal Control Regulations of China Shenhua Energy Company Limited for the Year 2012" 14. "Resolution on Compresive Planning for the Establishment and Development of Internal Control of China Shenhua Energy Company Limited" 15. "Resolution on the Report on Corporate Social Responsibility of the Company for the Year 2011" 16. "Resolution on the Grant of General Mandate to the Board to Issue New A Shares and H Shares of the Company" 17. "Resolution on the Grant of General Mandate to the Board to Repurchase A Shares and H Shares of the Company" 18. "Resolution on the Closed Discussion between the Audit Committee and the Auditor – KPMG"
4	The 18th meeting of the Audit Committee of the second session of the Board	23 April 2012	On-site	Entire members	1. "Resolution on the First Quarterly Financial Statements (Unaudited) of China Shenhua Energy Company Limited for the Year 2012" 2. "Resolution on Adjustment to the Transaction Cap for Certain Continuing Connected Transactions for the Years 2012 and 2013 and Change Certain Continuing Connected Transactions to Exempted Connected Transactions"
5	The 19th meeting of the Audit Committee of the second session of the Board	25 June 2012	Correspondence	Entire members	"The Interim Review Plan of China Shenhua Energy Company Limited for the Year 2012" formulated by the auditor of the Company

No.	Meeting	Date	Methods	Attendees	Resolution passed
6	The 20th meeting of the Audit Committee of the second session of the Board	23 July 2012	Correspondence	Entire members	"Resolution on the Authorization to the Board to Decide on the Issue Debt Financing Instruments"
7	The 21st meeting of the Audit Committee of the second session of the Board	15 August 2012	On-site	Entire members	1. "Resolution on the Amendments to Articles of Association of China Shenhua Energy Company Limited" 2. The interim review progress report submitted by the auditor – KPMG 3. "Resolution on 2012 Interim Financial Report of the Company" 4. "Resolution on the Special Report on Deposit and Actual Use of Proceeds of China Shenhua Energy Company Limited (Review Draft)" 5. "Resolution on Another Provisional Use of a portion of the Idle Proceeds as Working Capital" 6. "The Report of the Selection of Auditing Firm for 2013" submitted by the Internal Control and Audit Department
8	The 22nd meeting of the Audit Committee of the second session of the Board	19 October 2012	On-site	Entire members	1. "Resolution on the 2012 Third Quarterly Financial Report of China Shenhua Energy Company Limited" 2. "Resolution on the Matters in relation to Registration and Issue of Midium-term Notes and Super Short-term commercial papers" 3. "Resolution on the Issuance of Counter-guarantee Letter on the financing of EMM Indonesia Project to CITIC Bank" 4. "Resolution on the Appointment of External Auditor for the Years 2013 to 2015 by China Shenhua" 5. "Progress Report of the Improvement in Standards for Internal Audit of the Chna Shenhua"
9	The 23rd meeting of the Audit Committee of the second session of the Board	12 November 2012	On-site	Entire members	1. "Resolution on the Annual Audit and Internal Control Proposal of China Shenhua Energy Company Limited in 2012" 2. "Resolution on the Change of Use of Partial Proceeds from Initial Public Offering of A Shares" 3. "Resolution on the acquisition of partial assets of Shenghua Group, the controlling shareholder"
10	The 24th meeting of the Audit Committee of the second session of the Board	6 December 2012	Correspondence	Entire members	"Resolution on the payment of compensation for "replacing small units with larger ones" by Jiangsu Guohua Chenjiagang Power Co., Ltd to Guohua Xuzhou Power Co., Ltd"
11	The 25th meeting of the Audit Committee of the second session of the Board	17 December 2012	Correspondence	Entire members	"Resolution on the Operating Plan of China Shenhua Energy Company Limited for the Year 2013"

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

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

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

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

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

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

C. Performance of duties by the Remuneration Committee

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

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

In 2012, the Remuneration Committee held two meetings, and all members of the Committee attended both of the meetings in person. The details of the meetings are as follows:

No.	Meeting	Date	Methods	Attendees	Resolutions passed
1	The fourth meeting of the Remuneration Committee of the second session of the Board	23 March 2012	Correspondence	Entire members	1. "Resolution on the Remuneration of the Directors and Supervisors of China Shenhua Energy Company Limited for the Year 2011" 2. "Resolution on the Remuneration of the Senior Management of China Shenhua Energy Company Limited for the Year 2011" 3. "Resolution on the discharge of duties of the Remuneration Committee of China Shenhua Energy Company Limited"
2	The fifth meeting of the Remuneration Committee of the second session of the Board	17 December 2012	Correspondence	Entire members	"Resolution on the Letter of Responsibility of Performance Assessment of China Shenhua Energy Company Limited for the Year 2013"

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

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

D. Performance of duties by the Nomination Committee

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

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

In 2012, the Nomination Committee held one meeting, and all members of the Committee attended the meeting in person. The details of the meeting are as follows:

No.	Meeting	Date	Methods	Attendees	Resolutions passed
1	The fourth meeting of the Nomination Committee of the second session of the Board	21 June 2012	Correspondence	Entire members	"Resolution on the Appointment of Mr. Kong Dong as a Member of the Remuneration Committee to the Board of the Company, and Mr. Chen Hongsheng as a Member of the Audit Committee to the Board of the Company"

E. Performance of duties by the Safety, Health and Environment Committee

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

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

In 2012, the Safety, Health and Environment Committee held one meeting, and all members of the Committee attended the meeting in person. The details of the meeting are as follows:

No.	Meeting	Date	Methods	Attendees	Resolutions passed
1	The fourth meeting of the Safety, Health and Environment Committee of the second session of the Board	23 March 2012	Correspondence	Entire members	"Resolution on the Report on Social Responsibility of China Shenhua Energy Company Limited for the Year 2011"

Performance of duties by independent directors

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 Listing Rules. The terms of office for the re-appointment of the existing three independent non-executive directors are 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 procedures of meeting and the "Systems of Independent Directors" of China Shenhua. They maintained their independence of being independent directors, performed their functions of supervision, participated in the making of various important decisions of the Company and reviewed regular reports and financial statements of the Company. Therefore the independent directors of the Company played an important role in the regulated operation of the Company and protected the lawful interests of minority shareholders.

The Company ensured that proper conditions are in place for independent directors to perform their duties. The Company formulated the "Systems for Independent Directors", which provided guarantee on a system for the independent directors to perform their duties, designated department for undertaking independent director's affairs and independent director committee, assisted the independent directors during investigation, meeting convening and independent opinion expressing.

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

Dissenting views of independent directors on matters of the Company

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

Independent opinions of independent directors on matters of the Company

No.	Date	Occasion	Details of the independent opinion of independent directors
1	1 March 2012	The 22nd meeting of the second session of the Board	Approval of the acquisition of partial assets of Shenghua Group, the controlling shareholder
2	23 March 2012	The 23rd meeting of the second session of the Board	1. Approval for re-appointment of the Company's external auditor for the year 2012; 2. Approval for provisional use of partial idle proceeds as working capital; 3. Approval for the 2011 remuneration proposal of the Company's directors and supervisors; 4. Approval for the 2011 remuneration of the Company's senior management.
3	27 April 2012	The 25th meeting of the second session of the Board	1. Approval for the upward adjustment to the annual caps for the mutual supply of coal, products and services between the Company and Shenhua Group in the years 2012 and 2013; 2. Approval for the appointment of Mr. Kong Dong and Mr. Chen Hongsheng as the candidates for the election of the second session of the Board.
4	29 May 2012	Receipt of the Letter of Soliciting Opinion of the Company issued pursuant to the Non-competition Agreement	Approval for suspending the acquisition of equity interest in State Grid Energy Development Co., Ltd. and reserving the rights to acquire the equity interest, asset and other interests in State Grid Energy Development Co., Ltd. from Shenhua Group thereafter.
5	24 August 2012	The 30th meeting of the second session of the Board	1. Approval for revision of the provisions of Articles of Association in relation to bonus issue in accordance with the regulatory requirements; 2. Approval for provisional use of a portion of the idle raised funds as working capital
6	26 October 2012	The 32nd meeting of the second session of the Board	Approval for continuous provision of counter-guarantee to PT.GH EMM Indonesia
7	18 December 2012	The 33rd meeting of the second session of the Board	Approval for the payment of compensation for "replacing small units with larger ones" by Jiangsu Guohua Chenjiagang Power Co., Ltd to Guohua Xuzhou Power Generation Co., Ltd

During the preparation of the annual report, the independent directors have conducted the following tasks in accordance with the relevant regulatory requirements:

1. Liaison with the auditors on 12 November 2012 regarding the working arrangement for the annual auditing and other relevant materials;

2. Liaision with the management of the Company during the period from November 2012 to March 2013 regarding the production, operation and compliance of the Company by means including reviewing relevant documents submitted by the Company and attending the Company's meetings, etc.;

3. Review of working agenda for the annual report in January 2013;

4. Communication with the auditors about the audit progress on 12 March 2013

Through the above means, the directors duly carried out their duties during preparation of the annual report.

Operation of the Supervisory Committee

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

Supervisory Committee's Report

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

Operation of the Supervisory Committee

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

In 2012, the Supervisory Committee held four meetings in total.

Meeting	Date	Venue	Method of meeting	Attendance of supervisors	Subject matter	Voting Results
The 11th meeting of the second session of the Supervisory Committee	23 March 2012	Beijing	On-site	All	Resolution on the 2011 annual report of the Company	Approved Unanimously
					Resolution on the social responsibility report of the Company for the year 2011	Approved Unanimously
					Resolution on the 2011 financial report of the Company	Approved Unanimously
					Resolution on the 2011 profit distribution plan of the Company	Approved Unanimously
					Resolution on the "Special Report on Deposit and Actual Use of the Proceeds of the Company"	Approved Unanimously
					Resolution on the provisional use of a portion of the idle raised funds as working capital	Approved Unanimously

Meeting	Date	Venue	Method of meeting	Attendance of supervisors	Subject matter	Voting Results
					Resolution on 2011 "Assessment Report on Internal Control of the Company"	Approved Unanimously
					Resolution on the work report of the Supervisory Committee of the Company for the year 2011	Approved Unanimously
The 12th meeting of the second session of the Supervisory Committee	27 April 2012	Beijing	On-site	All	Resolution on the 2012 first quarterly report of the Company	Approved Unanimously
The 13th meeting of the second session of the Supervisory Committee	24 August 2012	Beijing	On-site	All	Resolution on the 2012 interim report of the Company	Approved Unanimously
					Resolution on the 2012 interim financial statements of the Company	Approved Unanimously
					Resolution on the "Special Report on Deposit and Actual Use of the Proceeds of the Company"	Approved Unanimously
					Resolution on the provisional use of a portion of the idle raised funds as working capital	Approved Unanimously
The 14th meeting of the second session of the Supervisory Committee	26 October 2012	Beijing	On-site	All	Resolution on the 2012 third quarterly report of the Company	Approved Unanimously

In compliance with the disclosure requirements, the Company published announcement on resolutions of the 11th meeting of the second session of the Supervisory Committee on 23 March 2012 on www.hkexnews.hk and 24 March 2012 on www.sse.com.cn in accordance with the laws.

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

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

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

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

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

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

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

During the reporting period, the "Resolution on the acquisition of certain assets of Shenhua Group, the Company' s controlling shareholder, and its subsidiaries" was considered and approved at the 22nd meeting of the second session of the Board, pursuant to which, the Company used the proceeds raised from its initial public offering of A shares for the acquisition of the following equity interests or assets of companies held by Shenhua Group Corporation Limited (being the Company's controlling shareholder) and its subsidiaries: (1) the assets of 3,996 open wagons which are self-owned by Shenhua Group Corporation; (2) the 50% equity interests in Taicang Power held by Beijing Guohua Power Company Limited; (3) the 99.996% and 0.004% equity interests in Shenhua HK Company respectively held by Shenhua Group Corporation and Shenhua International Trading Co., Ltd.; (4) the 60% equity interests in Bayannur Company held by Shenhua Group, at a consideration of RMB 3,449 million. The Supervisory Committee is not aware of any insider dealing or of any situation prejudicial to the interests of shareholders or resulting in loss of assets of the Company.

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

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

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

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

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

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

In 2013, the Supervisory Committee will continue to perform its duties with due care to protect the lawful interests of the Company and its shareholders in accordance with the "Company Law", the "Articles of Association" and the "Rules of Procedure of Supervisory Committee".

Significant Events

Material Litigation, Arbitration and Major Events generally in Question by the Media

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 2012, the Group was the defendant of certain non-material litigations, and also a party to certain litigations arising from the ordinary course of business. The likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained at present, but the management of the Group believes that, any possible legal liability which may be incurred from the aforesaid cases will not have any material adverse impact on the financial position of the Group.

During the reporting period, the Group was not involved in any major events generally reported by the media. During the reporting period, media attention towards the Group's earnings performance, business operations and market operations was relatively high. The Company has arranged new media receptions, providing information services for the media and maintaining a good work relationship with the media.

Appropriation of funds during reporting period

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

Insolvency or Restructuring Related Matters

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

Material Transactions involving Acquisition and Disposal of Assets

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

Details of the Implementation of the Equity Incentive Plan

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

Donation

During the reporting period, the donations made by the Group amounted to approximately RMB115.0 million.

Material Related Party Transactions

Summary of the management of related party transactions

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

Material Connected Transactions

Major connected transactions and continuing connected transactions of the Group during the year 2012 are as follows:

(1) Non-competition Agreement

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

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

Event: Acquisition of 100% equity interests in State Grid Energy, a subsidiary wholly owned by State Grid Corporation of China

During the reporting period, Shenhua Group Corporation issued a consultative letter to the Company in relation to the option in respect of the acquisition of 100% equity interests in State Grid Energy. In relation to the acquisition, (1) during the negotiations, State Grid Corporation of China has expressively indicated its intent that Shenhua Group Corporation should be the acquirer; (2) certain projects of State Grid Energy are in preliminary stage with low profit and the overall conditions of which do not meet the requirements for being injected into the Company.

In this regard, having been approved by the independent directors of the Company, the Company has decided not to participate in the acquisition, and permit Shenhua Group Corporation to acquire State Grid Energy. Shenhua Group has undertaken to the Company that upon completion of the acquisition, it will grant the Company the option of acquisition and pre-emptive right over State Grid Energy pursuant to the Non-competition Agreement entered into between the Company and Shenhua Group Corporation. For the abovementioned event, please refer to the Announcement Made Pursuant to Rule 13.09 of the Listing Rules published on the Hong Kong Stock Exchange dated 12 June 2012 and the Announcement (No. Lin 2012-025) published on the Shanghai Stock Exchange dated 13 June 2013. As at the end of the reporting period, the acquisition of State Grid Energy by Shenhua Group Corporation has been completed.

(2) Non-exempt Connected Transactions and Continuing Connected Transactions Approved to be Added or Adjusted during the Reporting Period

A. Non-exempt connected transactions

(A) Acquisition of certain assets from the Shenhua Group Corporation and its subsidiaries

On 1 March 2012, the 22nd meeting of the second session of the board of the Company approved the "Resolution on Acquisition by the Company of Certain Assets from the Shenhua Group Corporation (Controlling Shareholder) and its Subsidiaries", pursuant to which the Company is approved to use the proceeds from its initial public offering of A shares to finance one acquisition of open wagon assets and three acquisitions of equity interests related to the coal sales and power segments held by Shenhua Group Corporation and its subsidiaries (the "Acquisitions"). Details are set out in the Entering into Assets Purchase Agreement and Equity Purchase Agreements published on the Hong Kong Stock Exchange dated 1 March 2012 and the Announcement on Connected Transaction of Assets Purchase (No. Lin 2012-006) published on the Shanghai Stock Exchange dated 2 March 2012.

The acquired companies under the Acquisitions achieved during this reporting period: (1) coal sales of 1.9 million tonnes; (2) power generation of 8.27 billion kwh and power output dispatch of 7.88 billion kwh; (3) profit attributable to equity owners of the parent company under Accounting Standards for Business Enterprises totalled RMB356.1 million, representing a year-on-year growth of 19.2%.

(B) Guohua Xuzhou Company

On 18 December 2012, Jiangsu Guohua Chenjiagang Power Co., Ltd. ("Guohua Chenjiagang Company") (subsidiary of the Company) and Jiangsu Guohua Xuzhou Power Co., Ltd. ("Guohua Xuzhou Company") (subsidiary of Shenhua Group Corporation) entered into a transfer agreement, pursuant to which Guohua Chenjiagang Company agreed to pay Guohua Xuzhou Company RMB462 million in consideration of the use of generating capacity of 440MW owned by the closing down of generating units #7 and #8 of Guohua Xuzhou Company for the construction of new projects under the plan of "replacing small units with larger ones" of Guohua Chenjiagang Company. Details are set out in the Connected Transaction Entering into the Transfer Agreement published on the Hong Kong Stock Exchange dated 18 December 2012 and the Announcement on H Shares published on the Shanghai Stock Exchange dated 19 December 2012.

B. Non-exempt continuing connected transactions

The following adjustments were made by the Company to the 2012 annual caps of continuing connected transaction agreements:

At the 25th meeting of the second session of the board of the Company on 27 April 2012, the following adjustments were approved under the "Resolution on the Revision of Annual Caps of Certain Continuing Connected Transactions for 2012 and 2013 and the Conversion of Certain Continuing Connected Transactions into Exempted Connected Transactions":

1. In relation to the "Mutual Supplies and Services Agreement", (1) the annual caps for supplies and services provided by the Group to Shenhua Group for 2012 and 2013 were adjusted to RMB10.400 billion and RMB10.400 billion respectively; and (2) the annual caps for supplies and services provided by Shenhua Group to the Group for 2012 and 2013 were adjusted to RMB10.400 billion and RMB10.400 billion respectively;

2. The annual caps for the coal sales by the Group to Shenhua Group under the Mutual Coal Supply Agreement for 2012 and 2013 were adjusted to RMB10.400 billion and RMB10.400 billion respectively, whilst the caps of other transactions under the agreement remained unchanged;

3. Pursuant to regulatory requirements, the transactions in relation to the coal sales by the Group to Jiangsu Guoxin Asset Management Group Company Limited and China Datang Corporation and the coal purchase by the Group from Shaanxi Province Coal Transportation and Sales (Group) Co Ltd. were exempted from requirements in relation to reporting, annual reviews, announcements and approval by independent shareholders stipulated in Chapter 14A of the Hong Kong Listing Rules, according to Rules 14A.31(9) and 14A.33(4) of the Hong Kong Listing Rules. From 1 January 2012 until the abovementioned exemptions were applied, transactions in relation to the coal sales by the Group to Jiangsu Guoxin Asset Management Group Company Limited and China Datang Corporation and the coal purchase by the Group from Shaanxi Province Coal Transportation and Sales (Group) Co Ltd. were controlled within relevant upper limits.

Further details are set out in the announcements published by the Company on the Hong Kong Stock Exchange dated 27 April 2012 including "Revision of Caps for Continuing Connected Transactions under the Mutual Coal Supply Agreement", "Revision of Caps for Continuing Connected Transactions under the Mutual Supplies and Services Agreement" and "Application of Exemption under Rules 14A.31(9) and 14A.33(4) of the Hong Kong Listing Rules", and the "Announcement on Daily Connected Transactions" (Lin 2012-016)" published on the Shanghai Stock Exchange dated 28 April 2012.

(3) Major continuing connected transactions of the Company

Save as the major continuing connected transactions disclosed below, the Company and Shenhua Group Corporation also had certain exempted continuing connected transactions including Coal Agency Import and Export Agreement, Xisanju Coal Mines Coal Agency Sales Agreement, Trademarks License Agreement, Property Leasing Agreement and Land Use Right Leasing Agreement. During the reporting period, the Company has fully complied with the terms under such continuing connected transactions and closely monitor the relevant transaction amount.

A. Purposes of the major continuing connected transactions of the Company:

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

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

(C.) The connected transactions which include the selling of coal to Tianjin jinneng Investment Company ("Jinneng Investment") were made in the ordinary course of business of the Company, on normal commercial terms and in the interest of the Company.

(D.) The purpose of the Financial Services Agreement was to allow the financial company which the listed company has an absolute controlling shareholding to provide financial services to the companies under the Group and Shenhua Group. By this initiative, the Group was able to fully leverage the functions of internal financing platform and capital management platform, thus further containing risk and increasing income.

B. Transaction cap and implementation of the major continuing connected transactions of the Company

No.	Execution basis	Provision of products and services by the Group to related parties and other inflows			Purchase of products and services from related parties by the Group and other outflows		
		Prevailing transaction cap	Transaction amount during the reporting period	Percentage of amount to similar transactions	Prevailing transaction cap	Transaction amount during the reporting period	Percentage of amount to similar transactions
		RMB million	RMB million	%	RMB million	RMB million	%
1.	Mutual Coal Supply Agreement between the Company and Shenhua Group	10,400.00	5,521.68	3.3	13,000.00	2,978.24	4.3
2.	Mutual Supply of Products and Services Agreement between the Group and Shenhua Group	10,400.00	3,089.52	27.0	10,400.00	2,205.17	1.9
	Including: (1) Products	-	2,173.06	39.8	-	2,119.77	2.4
	(2) Services	-	916.46	15.3	-	85.40	0.3
3.	Coal Supply Framework Agreement between the Company and Jinneng Investment	4,400.00	1,022.60	0.6	-	-	-
4.	Transportation Service Framework Agreement between the Company and Taiyuan Railway Bureau and	-	-	-	8,600.00	4,798.18	27.4

The total amount of related party transactions for sale of products and provision of services by the Group to Shenhua Group Corporation and its subsidiaries during the reporting period amounted to RMB8,635.20 million.

The implementation of the Financial Services Agreement entered into between the Company and Shenhua Group Corporation on 20 December 2010 is set out in the table below:

No.	Execution basis	Prevailing transaction cap	Implementation during the Reporting period	Percentage of similar transactions
		RMB million	RMB million	%
1.	Financial Services Agreement between the Company and Shenhua Group			
	(1) annual total amount of guarantee provided by Shenhua Finance Company to Shenhua Group and its subsidiaries (except for the Company and its subsidiaries)	2,500.00	–	–
	(2) annual total transaction amount of bill acceptance and discount services handled by Shenhua Finance Company for Shenhua Group and its subsidiaries (except for the Company and its subsidiaries)	12,000.00	–	–
	(3) maximum daily balance (including relevant accrued interests incurred) of deposits accepted by Shenhua Finance Company from Shenhua Group and its subsidiaries (except for the Company and its subsidiaries)	40,000.00	31,965.70	–
	(4) maximum balance of loans, consumption credit, buyer's credit and financial leasing (including relevant accrued interests incurred) granted by Shenhua Finance Company to Shenhua Group and its subsidiaries (except for the Company and its subsidiaries	28,000.00	11,955.00	–
	(5) maximum balance of entrusted loans (including relevant accrued interests incurred) among Shenhua Group and its subsidiaries (except for the Company and its subsidiaries) handled by Shenhua Finance Company	100,000.00	96,088.27	–
	(6) interests paid by the Company and/or its subsidiaries to Shenhua Group and its subsidiaries on entrusted loans	70.00	46.27	1.5

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

C. Major continuing connected transactions of the Company

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

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

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

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

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

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

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

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

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

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

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

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

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

(C) “Financial Services Agreement” with Shenhua Group Corporation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(A) those transactions were in the ordinary course of business of the Group;

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

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

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

KPMG, the auditors of the Company, have reviewed the continuing connected transactions (A) to (E) above and issued letters to the Board, indicating that:

(A) they were not aware of any matter for which they would consider that the continuing connected transactions (A) to (E) above had not been approved by the Board;

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

(C) they were not aware of any matters for which they would consider that the continuing connected transactions (A) to (E) above were not proceeded pursuant to the terms of relevant agreements in all material aspects; and

(D) regarding the continuing connected transactions (A) to (E) above, they were not aware of any matters for which they would consider that the total amount of those transactions for the year ended 31 December 2012 exceeded the annual cap amount as disclosed in the announcement of the continuing connected transaction.

Certain related party transactions as disclosed in Note 36 of the Financial Statements prepared under IFRSs also constituted connected transactions under the Hong Kong Listing Rules required to be disclosed in accordance with Chapter 14A of the Hong Kong Listing Rules. The Company has complied with the disclosure requirements of Chapter 14A of the Hong Kong Listing Rules in respect of the above connected transactions and continuing connected transactions.

(4) Related party transactions regarding acquisition and disposal of assets

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

(5) Material related party transactions regarding joint external investment

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

(6) Debts and liabilities due from/owed to related parties

Unit: RMB million

		Funds provided to related parties		Funds provided by related parties to the Company	
Related parties	Related relationship	Amount of change	Balance	Amount of change (restated)	Balance
Shenhua Group Corporation and its subsidiaries	Holding company and its subsidiaries	–	–	(1,630.00)	613.00
Other related parties	–	(30.00)	783.28	–	–
Total	–	(30.00)	783.28	(1,630.00)	613.00

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

The above debts and liabilities due from/to related parties mainly represent entrusted loans provided by the Group to associated companies of subsidiaries of the Company, together with long-term and short-term loans borrowed by the Group from Shenhua Group Corporation and its subsidiaries. The Group performed its internal decision making 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.

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

Material contracts and performance thereof

1. Trust, contract and lease

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

2. Guarantee

(1) Material guarantees

Unit: RMB million

Guarantor	Relationship between the guarantor party and the listing company	Guaranteed party	Date of provision of guarantee (execution date of agreement	Guaranteed amount	Type of guarantee	Period	Whether performance has been completed	Whether the guarantee is for the benefit of related parties (Yes or No)
A. Guarantee provided by the Company to external parties (excluding guarantee given by the Company for the benefit of its subsidiaries)								
Shenbao Energy Company	Subsidiary (guarantor is controlling shareholder)	Hulunbeier Liangyi Railway Company Limited	30 August 2008	117.45	Joint guarantee	20 years	No	No
Bashu Power Company	Subsidiary (guarantor is controlling shareholder)	Sichuan Baima Circulating Fluidized Bed Demonstration Power Plant Co., Ltd.	16 May 2003	34.78	Joint and several guarantee	11-20 years	No	Yes
Total guaranteed amount provided during the reporting period								–
Total guaranteed balance at the end of the reporting period								152.23
B. Guarantee given by the Company for the benefit of its subsidiaries								
Total guaranteed amount provided to the Company's subsidiaries during the reporting period								(173.57)
Total guaranteed balance given to the Company's subsidiaries at the end of the reporting period								1,822.35
C. Aggregated guaranteed amount given by the Company (including guarantee given by the Company for the benefit of its subsidiaries)								
Total guaranteed amount								1,974.58
Percentage of total guaranteed amount to net assets of the Company								0.78%
Including:								
Amount of guarantees provided for the benefit of shareholders, de facto controller and their related parties								34.78
Amount of guarantees directly or indirectly provided for the benefit of parties with over 70% in asset-liability ratio								1,608.58
Portion of the total guaranteed amount in excess of 50% of net assets								–
Aggregated amount of the above three guaranteed amount (double counting discounted)								1,608.58

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

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

(2) Details of material guarantees

At the end of the reporting period, the sum of the guaranteed amount provided by the Company for the benefit of its subsidiaries (of which the Company is a controlling shareholder) and the guaranteed balance of the Company and its subsidiaries (of which the Company is a controlling shareholder) to external parties amounted to RMB1,974.58 million, including:

1. The Company has provided guarantee for and has accepted joint liability on four bank loans of Huanghua Harbour Administration Company, a 70% owned subsidiary of the Company, amounting to RMB366.00 million. Agreements for the above four loans were entered into prior to the establishment of the Company and the original guarantor was Shenhua Group. When the Company was established as part of the restructuring in November 2004, the guarantor was changed to the Company pursuant to relevant reorganization arrangement and at the requests of the relevant banks. Huanghua Harbour Administration Company is an important member of the Company responsible for seaborne coal transportation, with a sound financial condition and good profitability. There was no indication that the Company might be required to perform its joint and several liabilities under the above guarantee.

2. The Company has provided counter-guarantee to EMM Indonesia, a 70% owned subsidiary of the Company for loans of no more than US$231.70 million with a term of 3.5 years. At the end of the reporting period, the actual US loan amount incurred was US$231.70 million (equivalent to RMB1,456.35 million). The guarantee was approved at the 37th meeting of the first session of the Board held on 18 December 2009. Please refer to the "Announcement on External Guarantee" dated 19 December 2009 for details. The gearing ratio of EMM Indonesia did not exceed 70% when the counter-guarantee was approved on 18 December 2009. As the capital ratio of EMM Indonesia decreased, the gearing ratio of EMM Indonesia exceeded 70% as at 31 December 2012.

3. At the end of the reporting period, the guarantee provided by Shenbao Energy Company, a subsidiary owned as to 56.61% by the Company, was: prior to the acquisition of Shenbao Energy Company by the Company in 2011 and pursuant to the "Guarantee agreement on the syndicated loan in RMB for the cooperative railway project connecting Yimin and Yiershi newly constructed by Hulunbeier Liangyi Railway Company Limited", Shenbao Energy Company, as one of the guarantors, provided joint and several guarantee in 2008 to Hulunbeier Liangyi Railway Company Limited (hereinafter referred to as the "Liangyi Railway Company"), a company owned by Shenbao Energy Company as to 14.22%, for the syndicated loans. The major liability guaranteed was the debts due to the lender with a maximum balance of RMB207.47 million from 2008 to 2027, regardless of whether the debt is due when the above period expires.

   In the first half of 2012, as resolved by the general meeting of Liangyi Railway Company, the capital injection by its shareholders (including Shenbao Energy Company) was approved. Shenbao Energy and other shareholders will work together to supervise the rectification of the operations of Liangyi Railway Company. There is a certain degree of risk of loss from guarantee associated with such guarantee. The gearing ratio of Liangyi Railway Company was 87.14% as at 31 December 2012.

4. At the end of the reporting period, the guarantee provided by Bashu Power Company, owned as to 51.0% by the Company, was: prior to the acquisition of Bashu Power Company in 2012, on 16 May 2003, Bashu Power Company and other shareholders of that company provided joint and several 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 pro-rata basis for a loan with an aggregate amount of RMB770.7 million. As agreed in the maximum guarantee contract, the guarantee period shall be the 2-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 was on 14 May 2021.

   As of 31 December 2012, the balance of loan of Baima Power Plant Company under the guarantee contract was RMB341 million, and the pro-rata amount guaranteed by the Bashu Power Company was RMB68 million. As of 31 December 2012, the gearing ratio of Baima Power Plant Company was 79.63%, and its operations are running normally.

(3) Opinion of independent directors on material guarantees

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

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

2. EMM Indonesia has been put into operation to provide steady power generation. During the reporting period, there is no incident triggering the assumption of settlement of liabilities by the Company.

3. The guarantee on the syndicated loan of Liangyi Railway Company by Shenhua Energy 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 shall remain its concern on the guarantee to protect the interests of the Company and its shareholders as a whole.

4. The guarantee on the loan of Baima Power Plant Company by Bashu Power Company was the continuation of the events that took place before the Company's acquisition of the equity interest in Bashu Power Company in 2012. The Company shall remain its concern on the guarantee to protect the interests of the Company and its shareholders as a whole.

Material Investments

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

Commitments by the Shareholders

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

Commitment Background	Type of Commitment	Committed Parties	Commitment	Time and Duration of Commitment	Any Time Limit for Commitment	Timely Performance of Commitment
Commitment in relation to initial public offer	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.	Long-term	Yes	Yes
Commitment in relation to shareholding increase plan	Selling restrictions on shares	Shenhua Group Corporation	Shenhua Group planned to further increase its shareholding in A Shares of the Company in its own name through secondary market before 31 December 2012, provided that its aggregate shareholding of the total shares in issue of the Company shall not exceed 2%. Shenhua Group has committed that it would not reduce its shareholding in the Company during the term of shareholding increase plan and within statutory period.	During the term of shareholding increase plan and within statutory period	Yes	Yes. Such commitment has been fully settled.

Appointment and removal of accounting firms

1. Auditors: KPMG Huazhen (Special General Partnership) and KPMG were re-appointed as the domestic and international auditors of the Company respectively at the Company's 2011 annual general meeting held on 25 May 2012. KPMG Huazhen (Special General Partnership) and KPMG have provided auditing services to the Company for a consecutive period of 9 years.

   The auditors' remuneration of the Company relating to audit and non-audit services in 2012 amounted to RMB22.88 million and RMB1.30 million respectively. Audit services mainly included financial statements related audits for 2012, review of interim financial statements, internal control audit and audit of subsidiaries. Non-audit service mainly included financial advisory service.

2. Sponsors: China International Capital Corporation Limited and China Galaxy Securities Co., Ltd. were appointed by the Company as its sponsors for the initial public offer of its A Shares in 2007. As the proceeds from the Company's initial public offer of A Shares have not been used up, the above sponsors remain obliged to supervise the use of the proceeds. During the reporting period, the Company shall pay RMB0 for such continuing supervision services.

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

During the reporting period, none of the Company, its directors, supervisors, senior management and shareholders with 5% or more shareholding was subject to any investigations conducted by any competent authorities, mandatory measures imposed by any judicial or discipline inspection departments, judicial authority proceedings, or charged for any criminal liabilities, examination conducted by the CSRC, administrative sanctions imposed by CSRC, denial of admission to any stock market, regarded as improper person by the CSRC, sanctions imposed by other administrative authorities, or public censure by any stock exchange.

Other Material Matters

Save for the disclosed information, there was no other material matter of the Company that would require disclosure.

Investor Relations

During 2012, the Company communicated extensively and candidly with investors and analysts via multiple channels such as result announcements, global roadshows, roadshows of A shares, visits and reverse roadshows. The events registered more than 1,900 persons between the Company and the analysts and fund managers, among which more than 700 persons were from roadshows, more than 600 persons were from forums and more than 600 persons were from company visits and telephone conferences.

In 2012, China Shenhua continued to operate investor relations under the guiding principle of "the fusion of market value management and expectation management". China Shenhua pursued investor relations in a quantifiable manner and with a one-month fixed working cycle. It collected and sorted out market feedbacks, followed up market trends and guided the valuation and expectation of the market to be in-sync with the Company's operating results.

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2	Announcement on Increase of Shareholding in the Company by the Controlling Shareholder	2012-1-9	Website of Hong Kong Stock Exchange
3	Overseas Regulatory Announcement	2012-1-9	Website of Hong Kong Stock Exchange
4	"China Shenhua Energy Company Limited" (the Company) – Announcement on Increasing Holding of Shares in the Company by Controlling Shareholder	2012-1-10	Website of Shanghai Stock Exchange
5	Announcement on the Major Operational Data of December and the Year 2011	2012-1-30	Website of Hong Kong Stock Exchange
6	"China Shenhua Energy Company Limited" (the Company) – Announcement on Major Operational Data in December 2011 and in Whole Year of 2011	2012-1-31	Website of Shanghai Stock Exchange
7	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 January 2012	2012-1-31	Website of Hong Kong Stock Exchange
8	Overseas Regulatory Announcement	2012-2-15	Website of Hong Kong Stock Exchange
9	"China Shenhua Energy Company Limited" (the Company) – Announcement on Resolutions of 21st Session of 2nd Directorate Meeting	2012-2-16	Website of Shanghai Stock Exchange
10	Announcement on the Major Operational Data January of 2012	2012-2-17	Website of Hong Kong Stock Exchange
11	"China Shenhua Energy Company Limited" (the Company) – Announcement on Major Operational Data in January 2012	2012-2-18	Website of Shanghai Stock Exchange
12	Monthly Return of Equity Issuer on Movements in Securities for the month ended 29 February 2012	2012-3-1	Website of Hong Kong Stock Exchange
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14	Overseas Regulatory Announcement	2012-3-1	Website of Hong Kong Stock Exchange
15	"China Shenhua Energy Company Limited" (the Company) – Announcement on Connected Transaction of Assets Purchase	2012-3-2	Website of Shanghai Stock Exchange
16	"China Shenhua Energy Company Limited" (the Company) – Announcement on Resolution of 22nd Session of 2nd Directorate Meeting	2012-3-2	Website of Shanghai Stock Exchange
17	Overseas Regulatory Announcement	2012-3-9	Website of Hong Kong Stock Exchange

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18	"China Shenhua Energy Company Limited" (the Company) – Announcement on Verification and Approval of Project of Shenhua Guohua Gas Thermoelectricity in Beijing	2012-3-10	Website of Shanghai Stock Exchange
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20	Announcement on the Major Operational Data February of 2012	2012-3-19	Website of Hong Kong Stock Exchange
21	"China Shenhua Energy Company Limited" (the Company) – Announcement on Major Operational Data in February 2012	2012-3-20	Website of Shanghai Stock Exchange
22	Announcement of Annual Results for the Year Ended 31 December 2011	2012-3-23	Website of Hong Kong Stock Exchange
23	Overseas Regulatory Announcement-2011 Annual Report	2012-3-23	Website of Hong Kong Stock Exchange
24	Overseas Regulatory Announcement-2011 CSR Report	2012-3-23	Website of Hong Kong Stock Exchange
25	Overseas Regulatory Announcement	2012-3-23	Website of Hong Kong Stock Exchange
26	"China Shenhua Energy Company Limited" (the Company) – 2011 CSR Report	2012-3-24	Website of Shanghai Stock Exchange
27	"China Shenhua Energy Company Limited" (the Company) – Announcement on Resolutions of 11th Session of 2nd Board of Supervisors Meeting	2012-3-24	Website of Shanghai Stock Exchange
28	"China Shenhua Energy Company Limited" (the Company) – Summary of the Appropriation of Non-operational Funds and Inflows and Outflows of Other Related Funds for the Year 2011 of China Shenhua	2012-3-24	Website of Shanghai Stock Exchange
29	"China Shenhua Energy Company Limited" (the Company) – Annual Report	2012-3-24	Website of Shanghai Stock Exchange
30	"China Shenhua Energy Company Limited" – Summary of Annual Report	2012-3-24	Website of Shanghai Stock Exchange
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32	"China Shenhua Energy Company Limited" (the Company) – Working Proposal on the Regulation and Implementation of Internal Control for the Year 2012	2012-3-24	Website of Shanghai Stock Exchange
33	"China Shenhua Energy Company Limited" (the Company) – Audit Report on Internal Control	2012-3-24	Website of Shanghai Stock Exchange
34	"China Shenhua Energy Company Limited" (the Company) – Measures on Preventing Inside Dealing	2012-3-24	Website of Shanghai Stock Exchange
35	"China Shenhua Energy Company Limited" (the Company) – Special Report on Deposit and Actual Use of Proceeds	2012-3-24	Website of Shanghai Stock Exchange
36	"China Shenhua Energy Company Limited" (the Company) – Work Report of the Independent Directors for the year 2011	2012-3-24	Website of Shanghai Stock Exchange

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37	"China Shenhua Energy Company Limited" (the Company) – 2011 Assessment Report on the Internal Control	2012-3-24	Website of Shanghai Stock Exchange
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40	Rules of Procedures of Meetings of the Nomination Committee of the Board of Directors	2012-3-28	Website of Hong Kong Stock Exchange
41	Rules of Procedures of Meetings of the Remuneration Committee of the Board of Directors	2012-3-28	Website of Hong Kong Stock Exchange
42	Rules of Procedures of Meetings of the Audit Committee of the Board of Directors	2012-3-28	Website of Hong Kong Stock Exchange
43	Overseas Regulatory Announcement	2012-3-28	Website of Hong Kong Stock Exchange
44	"China Shenhua Energy Company Limited" (the Company) – Announcement on Repaying Idle Raised Funds Used for Temporarily Supplementing Current Capital upon Expiration and Supplementing Current Capital Again	2012-3-29	Website of Shanghai Stock Exchange
45	2011 CSR Report	2012-3-30	Website of Hong Kong Stock Exchange
46	2011 Annual Report	2012-3-30	Website of Hong Kong Stock Exchange
47	Monthly Return of Equity Issuer on Movements in Securities	2012-4-2	Website of Hong Kong Stock Exchange
48	Amendments to the Articles of Association, the Rules of Procedure of Board Meeting and the Related Party Transactions Decision Making Rules and Proposal for General Mandate to Repurchase A Shares and H Shares	2012-4-5	Website of Hong Kong Stock Exchange
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50	Notice of 2012 First Class Meeting of the Holders of H Shares	2012-4-5	Website of Hong Kong Stock Exchange
51	Reply Slip Annual General Meeting	2012-4-5	Website of Hong Kong Stock Exchange
52	Reply Slip Class Meeting of the Holders of H Shares	2012-4-5	Website of Hong Kong Stock Exchange
53	Form of proxy for Annual General Meeting	2012-4-5	Website of Hong Kong Stock Exchange
54	Form of proxy for 2012 First Class Meeting of the Holder of H Shares	2012-4-5	Website of Hong Kong Stock Exchange
55	Notification Letter and Request Form to Shareholder	2012-4-5	Website of Hong Kong Stock Exchange
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58	"China Shenhua Energy Company Limited" (the Company) – Notice of Convening 1st Shareholders' Meetings of A Shares of 2012	2012-4-6	Website of Shanghai Stock Exchange
59	"China Shenhua Energy Company Limited" (the Company) – Notice of Convening Annual General Meeting of 2011	2012-4-6	Website of Shanghai Stock Exchange
60	Announcement on the Major Operational Data March of 2012	2012-4-13	Website of Hong Kong Stock Exchange
61	"China Shenhua Energy Company Limited" (the Company) – Announcement on Major Operational Data in March 2012	2012-4-14	Website of Shanghai Stock Exchange
62	Notice of Board Meeting	2012-4-17	Website of Hong Kong Stock Exchange
63	First Quarterly Report for the Year 2012	2012-4-27	Website of Hong Kong Stock Exchange
64	Application of Exemption under Rules 14A.31(9) and 14A.33(4) of the Hong Kong Listing Rules	2012-4-27	Website of Hong Kong Stock Exchange
65	Revision of Caps for Continuing Connected Transactions under the Mutual Coal Supply Agreement	2012-4-27	Website of Hong Kong Stock Exchange
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67	Resignation of Directors	2012-4-27	Website of Hong Kong Stock Exchange
68	Proposed Appointment of Non-executive Directors and Supplemental Notice of Annual General Meeting	2012-4-27	Website of Hong Kong Stock Exchange
69	Supplemental Notice of Annual General Meeting	2012-4-27	Website of Hong Kong Stock Exchange
70	Proposed Appointment of Non-executive Directors and Supplemental Notice of Annual General Meeting	2012-4-27	Website of Hong Kong Stock Exchange
71	Second Form of Proxy for Annual General Meeting	2012-4-27	Website of Hong Kong Stock Exchange
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75	"China Shenhua Energy Company Limited" (the Company) – First Quarterly Report	2012-4-28	Website of Shanghai Stock Exchange
76	"China Shenhua Energy Company Limited" (the Company) – Announcement on Resolutions of 25th Session of 2nd Directorate Meeting and Resignation of Directors	2012-4-28	Website of Shanghai Stock Exchange
77	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30/4/2012	2012-4-30	Website of Hong Kong Stock Exchange
78	Overseas Regulatory Announcement	2012-5-10	Website of Hong Kong Stock Exchange

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79	"China Shenhua Energy Company Limited" (the Company) – Particulars on 2012 First Class Meeting of the Holders of A Shares	2012-5-11	Website of Shanghai Stock Exchange
80	"China Shenhua Energy Company Limited" (the Company) – Particulars on the 2011 Annual General Meeting	2012-5-11	Website of Shanghai Stock Exchange
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82	"China Shenhua Energy Company Limited" (the Company) – Announcement on Major Operational Data in April 2012	2012-5-15	Website of Shanghai Stock Exchange
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84	Overseas Regulatory Announcement	2012-5-23	Website of Hong Kong Stock Exchange
85	"China Shenhua Energy Company Limited" (the Company) – Announcement on Launching Purchase of Some Assets of Controlling Shareholder	2012-5-24	Website of Shanghai Stock Exchange
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89	Overseas Regulatory Announcement	2012-5-25	Website of Hong Kong Stock Exchange
90	"China Shenhua Energy Company Limited" (the Company) – Rules of Procedure of Directorate Meeting	2012-5-26	Website of Shanghai Stock Exchange
91	"China Shenhua Energy Company Limited" (the Company) – Related Party Transactions Decision Making Systems	2012-5-26	Website of Shanghai Stock Exchange
92	"China Shenhua Energy Company Limited" (the Company) – Articles of Association (2012 Revision)	2012-5-26	Website of Shanghai Stock Exchange
93	"China Shenhua Energy Company Limited" (the Company) – Legal Opinion on 2011 Annual General Meeting and 2012 First Class Meeting of the Holders of A Shares and H Shares	2012-5-26	Website of Shanghai Stock Exchange
94	"China Shenhua Energy Company Limited" (the Company) – Announcement on Notice to Creditors on Obtaining General Authorization of A Shares and H Shares Repurchase by Directorate	2012-5-26	Website of Shanghai Stock Exchange
95	"China Shenhua Energy Company Limited" (the Company) – Announcement on Resolutions of 1st Shareholders' Meeting of A shares and 1st Shareholders' Meeting of H shares	2012-5-26	Website of Shanghai Stock Exchange
96	"China Shenhua Energy Company Limited" (the Company) – Announcement on Resolutions of Annual General Meeting of 2011	2012-5-26	Website of Shanghai Stock Exchange
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98	"China Shenhua Energy Company Limited" (the Company) – Announcement on Obtaining Approval of Phase II Project of Shenhua Tianjin Coaling Quay Project	2012-5-29	Website of Shanghai Stock Exchange
99	Overseas Regulatory Announcement	2012-5-31	Website of Hong Kong Stock Exchange
100	"China Shenhua Energy Company Limited" (the Company) – Announcement on Final Dividend Distribution for End of 2011	2012-6-1	Website of Shanghai Stock Exchange
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102	Overseas Regulatory Announcement	2012-6-12	Website of Hong Kong Stock Exchange
103	Announcement Made Pursuant to Rule 13.09 of the Listing Rules	2012-6-12	Website of Hong Kong Stock Exchange
104	"China Shenhua Energy Company Limited" (the Company) – Announcement	2012-6-13	Website of Shanghai Stock Exchange
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111	"China Shenhua Energy Company Limited" (the Company) – Announcement on Resolutions of 27th Session of 2nd Directorate Meeting	2012-6-22	Website of Shanghai Stock Exchange
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119	"China Shenhua Energy Company Limited" (the Company) – Announcement on Resolutions of 28th Session of 2nd Directorate Meeting	2012-7-28	Website of Shanghai Stock Exchange
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123	Reply Slip Extraordinary General Meeting	2012-7-29	Website of Hong Kong Stock Exchange
124	Notification Letter and Request Form for Non-Registered Shareholders	2012-7-29	Website of Hong Kong Stock Exchange
125	Notification Letter and Request Form for Registered Shareholders	2012-7-29	Website of Hong Kong Stock Exchange
126	"China Shenhua Energy Company Limited" (the Company) – Notice of 2012 First Extraordinary Shareholders' Meeting	2012-7-30	Website of Shanghai Stock Exchange
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135	"China Shenhua Energy Company Limited" (the Company) – Announcement	2012-8-16	Website of Shanghai Stock Exchange
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157	Notification Letter and Request Form to Registered Holder	2012-9-6	Website of Hong Kong Stock Exchange
158	Announcement on Obtaining Approval of Purchasing State Grid Energy Development Co., Ltd.	2012-9-7	Website of Shanghai Stock Exchange

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168	"China Shenhua Energy Company Limited" (the Company) – Announcement on Repaying Idle Raised Funds Used for Temporarily Supplementing Current Capital upon Expiration and Supplementing Current Capital Again	2012-9-28	Website of Shanghai Stock Exchange
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172	Announcement on Obtaining Written Reply in relation to Exemption from Obligation of Tender Offer from the CSRC by Shenhua Group Corporation Limited	2012-10-13	Website of Shanghai Stock Exchange
173	Announcement on the Major Operational Data September of 2012	2012-10-15	Website of Hong Kong Stock Exchange
174	"China Shenhua Energy Company Limited" (the Company) – Announcement on Major Operational Data in September 2012	2012-10-16	Website of Shanghai Stock Exchange
175	Notice of Board Meeting	2012-10-16	Website of Hong Kong Stock Exchange
176	Third Quarterly Report for the Year 2012	2012-10-26	Website of Hong Kong Stock Exchange
177	Proposed Appointment of Auditors for 2013	2012-10-26	Website of Hong Kong Stock Exchange
178	The Announcement of Resolutions Passed at the 32nd Meeting of the Second Session of the Board of Directors	2012-10-26	Website of Hong Kong Stock Exchange
179	Overseas Regulatory Announcement	2012-10-26	Website of Hong Kong Stock Exchange

No.	Event	Date of publication	Website of publication
180	Overseas Regulatory Announcement	2012-10-26	Website of Hong Kong Stock Exchange
181	"China Shenhua Energy Company Limited" (the Company) – Announcement on External Guarantee	2012-10-27	Website of Shanghai Stock Exchange
182	"China Shenhua Energy Company Limited" (the Company) – Announcement on Resolutions of 32nd Session of 2nd Directorate Meeting	2012-10-27	Website of Shanghai Stock Exchange
183	"China Shenhua Energy Company Limited" (the Company) – Third Quarterly Report	2012-10-27	Website of Shanghai Stock Exchange
184	Overseas Regulatory Announcement	2012-10-30	Website of Hong Kong Stock Exchange
185	Announcement on Performance of Undertaking	2012-10-31	Website of Shanghai Stock Exchange
186	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 October 2012	2012-10-31	Website of Hong Kong Stock Exchange
187	Announcement on the Major Operational Data October of 2012	2012-11-15	Website of Hong Kong Stock Exchange
188	"China Shenhua Energy Company Limited" (the Company) – Announcement on Major Operational Data in October 2012	2012-11-16	Website of Shanghai Stock Exchange
189	Announcement Made Pursuant to Rule 13.09 of the Listing Rules	2012-11-20	Website of Hong Kong Stock Exchange
190	Announcement on Completion of Change in Shareholder Status and Transfer of Ownership of State Grid Energy Development Co., Ltd.	2012-11-21	Website of Shanghai Stock Exchange
191	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 November 2012	2012-11-30	Website of Hong Kong Stock Exchange
192	Announcement on the Major Operational Data November of 2012	2012-12-13	Website of Hong Kong Stock Exchange
193	"China Shenhua Energy Company Limited" (the Company) – Announcement on Major Operational Data in November 2012	2012-12-14	Website of Shanghai Stock Exchange
194	Connected Transaction Entering into a Transfer Agreement	2012-12-18	Website of Hong Kong Stock Exchange
195	"China Shenhua Energy Company Limited" (the Company) – H Shares Announcement	2012-12-19	Website of Shanghai Stock Exchange
196	Announcement Made Pursuant to Rule 13.09 of the Listing Rules	2012-12-21	Website of Hong Kong Stock Exchange
197	Announcement on Progress in Purchasing Certain Assets from Controlling Shareholder	2012-12-22	Website of Shanghai Stock Exchange
198	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 December 2012	2012-12-31	Website of Hong Kong Stock Exchange

Note: Website of Hong Kong Stock Exchange: www.hkex.com.hk; Website of Shanghai Stock Exchange: www.sse.com.cn.

Independent Auditor's Report

KPMG

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

We have audited the consolidated financial statements of China Shenhua Energy Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 163 to 248, which comprise the consolidated and company statements of financial position as at 31 December 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

22 March 2013

Financial Statements

Consolidated statement of comprehensive income

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

	Note	**2012 RMB million**	2011 RMB million (restated-Note 19(b))
Revenues			
Coal revenue		**165,989**	138,263
Power revenue		**71,096**	61,204
Other revenues	5	**13,175**	9,758
Total operating revenues	4	**250,260**	209,225
Cost of revenues			
Coal purchased		**(69,685)**	(45,904)
Materials, fuel and power		**(18,400)**	(14,777)
Personnel expenses		**(10,369)**	(9,158)
Depreciation and amortisation		**(16,797)**	(14,856)
Repairs and maintenance		**(7,467)**	(6,070)
Transportation charges		**(17,481)**	(18,304)
Others	6	**(27,555)**	(19,569)
Total cost of revenues		**(167,754)**	(128,638)
Selling, general and administrative expenses		**(12,950)**	(11,056)
Other operating income/(expenses), net		**48**	(825)
Total operating expenses	7	**(180,656)**	(140,519)
Profit from operations		**69,604**	68,706
Finance income	8	**1,258**	1,092
Finance expenses	8	**(3,329)**	(3,296)
Net finance costs		**(2,071)**	(2,204)
Investment income		**1**	1
Share of profits less losses of associates		**477**	346
Profit before income tax		**68,011**	66,849
Income tax	9	**(10,965)**	(14,041)
Profit for the year		**57,046**	52,808
Other comprehensive income	13		
Exchange differences on translation of financial statements of overseas subsidiaries		**80**	(48)
Total comprehensive income for the year		**57,126**	52,760
Profit attributable to:			
Equity shareholders of the Company		**48,858**	45,846
Non-controlling interests		**8,188**	6,962
Profit for the year		**57,046**	52,808
Total comprehensive income attributable to:			
Equity shareholders of the Company		**48,932**	45,805
Non-controlling interests		**8,194**	6,955
Total comprehensive income for the year		**57,126**	52,760
Earnings per share (RMB)	15		
– Basic		**2.456**	2.305
– Diluted		**2.456**	2.305

The notes on pages 170 to 248 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 14(a).

Consolidated statement of financial position

at 31 December 2012
(Expressed in Renminbi)

	Note	2012 RMB million	2011 RMB million (restated-Note 19(b))
Non-current assets			
Property, plant and equipment, net	16	**236,048**	223,329
Construction in progress	17	**61,142**	34,384
Intangible assets	18	**3,781**	3,610
Interest in associates	20	**4,689**	3,992
Other long-term equity investments	21	**960**	835
Other non-current assets	22	**24,614**	18,915
Lease prepayments	23	**13,667**	11,983
Deferred tax assets	28(b)	**1,106**	933
Total non-current assets		**346,007**	297,981
Current assets			
Inventories	24	**15,171**	12,939
Accounts and bills receivable, net	25	**20,028**	13,618
Prepaid expenses and other current assets	26	**14,480**	12,694
Restricted bank deposits	27(a)	**6,082**	4,115
Time deposits with original maturity over three months		**3,972**	3,508
Cash and cash equivalents	27(b)	**51,627**	61,652
Total current assets		**111,360**	108,526
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	29	**28,093**	16,489
Accounts and bills payable	30	**31,072**	23,763
Accrued expenses and other payables	31	**41,423**	39,286
Current portion of long-term payables	32	**283**	271
Income tax payable	28(a)	**4,686**	7,940
Total current liabilities		**105,557**	87,749
Net current assets		**5,803**	20,777
Total assets less current liabilities		**351,810**	318,758
Non-current liabilities			
Long-term borrowings, less current portion	29	**39,624**	45,443
Long-term payables, less current portion	32	**2,558**	2,346
Accrued reclamation obligations	33	**1,921**	1,724
Deferred tax liabilities	28(b)	**1,150**	1,131
Total non-current liabilities		**45,253**	50,644
Net assets		**306,557**	268,114
Equity			
Share capital	34	**19,890**	19,890
Reserves		**236,699**	208,309
Equity attributable to equity shareholders of the Company		**256,589**	228,199
Non-controlling interests		**49,968**	39,915
Total equity		**306,557**	268,114

Approved and authorised for issue by the Board of Directors on 22 March 2013.

Zhang Xiwu
Chairman

Ling Wen
Director and President

The notes on pages 170 to 248 form part of these financial statements.

Statement of financial position

at 31 December 2012
(Expressed in Renminbi)

	Note	2012 RMB million	2011 RMB million
Non-current assets			
Property, plant and equipment, net	16	**63,256**	60,577
Construction in progress	17	**6,907**	6,060
Intangible assets	18	**283**	271
Investments in subsidiaries	19	**78,593**	63,242
Investments in associates	20	**1,203**	1,159
Other long-term equity investments	21	**894**	821
Other non-current assets	22	**18,877**	15,593
Lease prepayments	23	**2,780**	2,472
Total non-current assets		**172,793**	150,195
Current assets			
Inventories	24	**5,705**	3,115
Accounts and bills receivable, net	25	**5,804**	33,678
Prepaid expenses and other current assets	26	**56,260**	53,442
Restricted bank deposits	27(a)	**166**	324
Time deposits with original maturity over three months		**–**	150
Cash and cash equivalents	27(b)	**43,789**	49,172
Total current assets		**111,724**	139,881
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	29	**20,108**	2,160
Accounts payable	30	**8,951**	9,502
Accrued expenses and other payables	31	**75,505**	93,031
Current portion of long-term payables	32	**139**	168
Income tax payable	28(a)	**821**	2,750
Total current liabilities		**105,524**	107,611
Net current assets		**6,200**	32,270
Total assets less current liabilities		**178,993**	182,465
Non-current liabilities			
Long-term borrowings, less current portion	29	**4,972**	7,587
Long-term payables, less current portion	32	**1,578**	1,678
Accrued reclamation obligations	33	**988**	940
Deferred tax liabilities	28(b)	**329**	823
Total non-current liabilities		**7,867**	11,028
Net assets		**171,126**	171,437
Equity			
Share capital	34	**19,890**	19,890
Reserves		**151,236**	151,547
Total equity		**171,126**	171,437

Approved and authorised for issue by the Board of Directors on 22 March 2013.

Zhang Xiwu
Chairman

Ling Wen
Director and President

The notes on pages 170 to 248 form part of these financial statements.

Consolidated statement of changes in equity

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

	Equity attributable to equity shareholders of the Company									
	Share capital RMB million (Note 34)	Share premium RMB million (Note (i))	Capital reserve RMB million (Note (ii))	Exchange reserve RMB million	Statutory reserves RMB million (Note (iii))	Other reserves RMB million	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
At 1 January 2011 (as previously reported)	19,890	85,001	3,612	680	14,921	3,489	77,520	205,113	32,314	237,427
Adjustment in relation to the 2012 Acquisitions (Note 19(b))	–	–	–	21	–	1,315	365	1,701	1,187	2,888
At 1 January 2011 (as restated)	19,890	85,001	3,612	701	14,921	4,804	77,885	206,814	33,501	240,315
Total comprehensive income:										
Profit for the year	–	–	–	–	–	–	45,846	45,846	6,962	52,808
Other comprehensive income (exchange differences on translation of financial statements of overseas subsidiaries)	–	–	–	(41)	–	–	–	(41)	(7)	(48)
Total comprehensive income for the year	–	–	–	(41)	–	–	45,846	45,805	6,955	52,760
Other movements:										
Dividend declared (Note 14(b))	–	–	–	–	–	–	(14,917)	(14,917)	–	(14,917)
Appropriation of maintenance and production funds (Note (iii))	–	–	–	–	3,736	–	(3,736)	–	–	–
Utilisation of maintenance and production funds (Note (iii))	–	–	–	–	(2,677)	–	2,677	–	–	–
Appropriation of general reserve (Note (iii))	–	–	–	–	33	–	(33)	–	–	–
Contributions from then shareholders in relation to the 2011 Acquisitions and 2012 Acquisitions	–	–	–	–	–	1,055	–	1,055	–	1,055
Distributions to then shareholders in relation to the 2011 Acquisitions and 2012 Acquisitions	–	–	–	–	–	–	(242)	(242)	(211)	(453)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	2,217	2,217
Distributions to non-controlling interests	–	–	–	–	–	–	–	–	(3,456)	(3,456)
Consideration for the 2011 Acquisitions (Note 19(c))	–	–	–	–	–	(10,316)	–	(10,316)	–	(10,316)
Acquisition of subsidiaries (Note 19(d))	–	–	–	–	–	–	–	–	909	909
Sub-total	–	–	–	–	1,092	(9,261)	(16,251)	(24,420)	(541)	(24,961)
At 31 December 2011 (as restated)	19,890	85,001	3,612	660	16,013	(4,457)	107,480	228,199	39,915	268,114

The notes on pages 170 to 248 form part of these financial statements.

Consolidated statement of changes in equity (continued)

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

	Equity attributable to equity shareholders of the Company									
	Share capital RMB million (Note 34)	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 2012 (as restated)	19,890	85,001	3,612	660	16,013	(4,457)	107,480	228,199	39,915	268,114
Total comprehensive income:										
Profit for the year	-	-	-	-	-	-	48,858	48,858	8,188	57,046
Other comprehensive income (exchange differences on translation of financial statements of overseas subsidiaries)	-	-	-	74	-	-	-	74	6	80
Total comprehensive income for the year	-	-	-	74	-	-	48,858	48,932	8,194	57,126
Other movements:										
Dividend declared (Note 14(b))	-	-	-	-	-	-	(17,901)	(17,901)	-	(17,901)
Appropriation of maintenance and production funds (Note (iii))	-	-	-	-	4,248	-	(4,248)	-	-	-
Utilisation of maintenance and production funds (Note (iii))	-	-	-	-	(3,875)	-	3,875	-	-	-
Appropriation of general reserve (Note (iii))	-	-	-	-	152	-	(152)	-	-	-
Contributions from then shareholders in relation to the 2012 Acquisitions	-	-	-	-	-	150	-	150	-	150
Distributions to then shareholders in relation to the 2012 Acquisitions	-	-	-	-	-	-	(81)	(81)	(81)	(162)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	5,395	5,395
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	(5,034)	(5,034)
Consideration for the 2012 Acquisitions (Note 19(b))	-	-	-	-	-	(2,710)	-	(2,710)	-	(2,710)
Acquisition of subsidiaries (Note 19(d))	-	-	-	-	-	-	-	-	1,579	1,579
Sub-total	-	-	-	-	525	(2,560)	(18,507)	(20,542)	1,859	(18,683)
At 31 December 2012	19,890	85,001	3,612	734	16,538	(7,017)	137,831	256,589	49,968	306,557

Notes:

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

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

The notes on pages 170 to 248 form part of these financial statements.

Consolidated statement of changes in equity (continued)

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

(iii) Statutory reserves

Statutory surplus reserve

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

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

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

Specific reserve for maintenance and production funds

Pursuant to the relevant PRC regulations, provision for production maintenance, production safety and other related expenditures are accrued by the Group at fixed rates based on production volume or operating revenues (the "maintenance and production funds"). The Group is required to make a transfer for the provision of maintenance and production funds from retained earnings to a specific reserve. The maintenance and production funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve back to retained earnings.

General reserve

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

Discretionary surplus reserve

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

The directors have not proposed any appropriation to the discretionary surplus reserve in 2012 and 2011.

The notes on pages 170 to 248 form part of these financial statements.

Consolidated statement of cash flows

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

	Note	**2012 RMB million**	2011 RMB million (restated-Note 19(b))
Operating activities			
Cash generated from operations	27(c)	**86,548**	85,101
Interest received		**750**	978
Interest paid		**(3,554)**	(3,300)
Income tax paid		**(14,689)**	(11,830)
Net cash generated from operating activities		**69,055**	70,949
Investing activities			
Capital expenditure		**(52,256)**	(45,082)
Lease prepayments		**(1,113)**	(259)
Proceeds from disposal of property, plant and equipment		**220**	50
Payment for the 2011 Acquisitions and 2012 Acquisitions	19(b)	**(4,324)**	(8,702)
Net cash inflow in relation to the acquisition of subsidiaries	27(d)	**498**	–
Net cash outflow in relation to the acquisition of subsidiaries	27(d)	**(1,072)**	(1,666)
Capital injections in associates		**(260)**	(188)
Purchase of other long-term equity investments		**(116)**	–
Dividend received from associates		**151**	213
Dividend received from other investments		**1**	1
Proceeds from trading debt securities		**82**	–
Net increase in restricted bank deposits		**(1,967)**	(2,063)
Increase in time deposits with original maturity over three months		**(4,497)**	(5,800)
Maturity of time deposits with original maturity over three months		**4,033**	5,241
Entrusted loans to a third party		**(1,310)**	–
Repayment of entrusted loan from a third party		**–**	3,000
Net cash used in investing activities		**(61,930)**	(55,255)
Financing activities			
Proceeds from borrowings		**36,099**	4,691
Repayments of borrowings		**(34,534)**	(21,184)
Contributions from non-controlling interests		**3,959**	2,217
Distributions to non-controlling interests		**(4,764)**	(2,742)
Dividend paid to equity shareholders of the Company		**(17,901)**	(14,917)
Contributions from then shareholders in relation to the 2011 Acquisitions and 2012 Acquisitions		**150**	1,055
Distributions to then shareholders in relation to the 2011 Acquisitions and 2012 Acquisitions		**(162)**	(453)
Net cash used in financing activities		**(17,153)**	(31,333)
Net decrease in cash and cash equivalents		**(10,028)**	(15,639)
Cash and cash equivalents, at the beginning of the year		**61,652**	77,302
Effect of foreign exchange rate changes		**3**	(11)
Cash and cash equivalents, at the end of the year		**51,627**	61,652

The notes on pages 170 to 248 form part of these financial statements.

1 Principal activities and organisation

Principal activities

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

Organisation

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

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

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

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

2 Significant accounting policies

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2012 comprise the Company and its subsidiaries and the Group's interest in associates.

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

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

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

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

2 Significant accounting policies (continued)

(c) Changes in accounting policies

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

(d) Subsidiaries and non-controlling interests

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

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

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

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

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

2 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests (continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(o)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the associate's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see Note 2(o)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the associates and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the associates' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

2 Significant accounting policies (continued)

(e) Associates (continued)

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former associate at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate.

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see Note 2(o)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(o)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2 Significant accounting policies (continued)

(g) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in Notes 2(x)(iv) and (v).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see Note 2(o)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see Note 2(o)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in Note 2(x)(iv) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in Note 2(x)(v). When these investments are derecognised or impaired (see Note 2(o)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

2 Significant accounting policies (continued)

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(i) Property, plant and equipment

Property, plant and equipment, which consist of freehold land, buildings, mining structures and mining rights, mining related machinery and equipment, generators and related machinery and equipment, railway and port transportation structures and furniture, fixtures, motor vehicles and other equipment, are initially stated at cost less accumulated depreciation and impairment losses (see Note 2(o)). The cost of an asset comprises its purchase price, any directly attributable costs of bringing the asset to its present working condition and location for its intended use, the cost of borrowed funds used during the period of construction and, when relevant, the costs of dismantling and removing the items and restoring the site on which they are located, and changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other cost is recognised as an expense in profit or loss in the period in which it is incurred.

When proved and probable coal reserves have been determined, costs incurred to develop coal mines are capitalised as part of the cost of the mining structures. All other expenditures, including the costs of removing waste materials and "stripping costs", the cost of repairs and maintenance and major overhaul, are expensed as they are incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2 Significant accounting policies (continued)

(i) Property, plant and equipment (continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, other than freehold land, mining structures and mining rights, over their estimated useful lives using the straight line method, after taking into account their estimated residual values. The estimated useful lives of property, plant and equipment are as follows:

	Depreciable life
Buildings	9-50 years
Mining related machinery and equipment	5-30 years
Generators and related machinery and equipment	18-30 years
Railway and port structures	30-45 years
Vessels	10-22 years
Furniture, fixtures, motor vehicles and other equipment	3-21 years

Freehold land is not depreciated.

Mining structures and mining rights are depreciated on the units-of-production method utilising only proved and probable coal reserves in the depletion base.

The Group's mining rights are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules.

(j) Lease prepayments

Lease prepayments represent land use rights paid to the relevant PRC governmental authorities for acquiring land held under operating leases. Lease prepayments are carried at cost less accumulated amortisation and impairment losses (see Note 2(o)). Amortisation of lease prepayments is charged to profit or loss on a straight-line basis over the respective periods of the rights.

(k) Construction in progress

Construction in progress is stated at cost less impairment losses (see Note 2(o)). Cost comprises direct costs of construction, borrowing costs and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges, during the period of construction.

Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

2 Significant accounting policies (continued)

(l) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads and borrowing costs, where applicable (see Note 2(z)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see Note 2(o)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(o)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss from the date they are available for use on a straight-line basis over the assets' estimated useful lives.

Both the period and method of amortisation are reviewed annually.

(m) Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation expenditure comprises costs which are directly attributable to:

– researching and analysing historical exploration data;

– gathering exploration data through topographical, geochemical and geophysical studies;

– exploratory drilling, trenching and sampling;

– determining and examining the volume and grade of the resource;

– surveying transportation and infrastructure requirements; and

– conducting market and finance studies.

Expenditure during the initial exploration stage of a project is charged to profit or loss as incurred. Exploration and evaluation costs, including the costs of acquiring licenses, are capitalised as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and commercial viability of the project.

The capitalised costs are presented as either tangible or intangible exploration and evaluation assets according to the nature of the assets. Tangible and intangible exploration and evaluation assets that are available for use are depreciated/amortised over their useful lives. When a project is abandoned, the related irrecoverable costs are written off to profit or loss immediately.

2 Significant accounting policies (continued)

(n) Obligations for land reclamation

The Group's obligations for land reclamation consist of spending estimates at both surface and underground mines in accordance with the PRC rules and regulations. The Group estimates its liabilities for final reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash spending to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The Group records a corresponding asset associated with the liability for final reclamation and mine closure. The obligation and corresponding asset are recognised in the period in which the liability is incurred. The asset is depreciated on the units-of-production method over its expected life and the liability is accreted to the projected spending date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation and the corresponding asset are recognised at the appropriate discount rate.

(o) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 Significant accounting policies (continued)

(o) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in subsidiaries and associates (including those recognised using the equity method (see Note 2(e))), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 2(o)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 2(o)(ii).

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2 Significant accounting policies (continued)

(o) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

– For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– construction in progress;

– intangible assets;

– lease prepayments; and

– other non-current assets.

2 Significant accounting policies (continued)

(o) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro-rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 Significant accounting policies (continued)

(o) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(o)(i) and 2(o)(ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(p) Inventories

Coal inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When coal inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventories of ancillary materials, spare parts and small tools used in production are stated at cost less impairment losses for obsolescence.

(q) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 2(o)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

2 Significant accounting policies (continued)

(r) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(s) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 2(w)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(u) Employee benefits

(i) Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

(ii) Defined contribution retirement plans

The Group's contributions to defined contribution retirement plans administered by the PRC government are recognised as an expense when incurred according to the contribution determined by the plans.

(iii) Share appreciation rights

Share appreciation rights ("SARs") are granted to employees of the Company. The fair value of the amount payable to the employee is recognised as an employee cost with a corresponding increase in liabilities. The fair value initially is measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value of the SARs is measured by using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the instruments were granted. The liability is remeasured at the end of each reporting period and at settlement date. Any changes in the fair value of the liability are recognised in profit or loss.

2 Significant accounting policies (continued)

(u) Employee benefits (continued)

(iv) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(v) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

2 Significant accounting policies (continued)

(v) Income tax (continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(w) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 2(w)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

2 Significant accounting policies (continued)

(w) Financial guarantees issued, provisions and contingent liabilities (continued)

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(x) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Revenues associated with the sale of coal is recognised when the risks and rewards to the ownership of the goods have been passed to the customer.

(ii) Revenue from sale of power is recognised upon the transmission of electric power to the power grid companies, as determined based on the volume of electric power transmitted and the applicable fixed tariff rates agreed with the respective electric power grid companies annually.

(iii) Revenue from the rendering of railway, port, shipping and other services is recognised upon the delivery or performance of the services.

(iv) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(v) Interest income is recognised as it accrues using the effective interest method.

2 Significant accounting policies (continued)

(y) Translation of foreign currencies

Foreign currency transactions during the year are translated into RMB at the applicable rates of exchange quoted by the People's Bank of China ("PBOC") prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into RMB at the applicable PBOC rates ruling at the end of the reporting period. Foreign exchange differences are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the applicable PBOC rates prevailing on the dates of the transactions. Statement of financial position items are translated into RMB at the applicable PBOC rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(z) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(aa) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2 Significant accounting policies (continued)

(ab) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled or jointly controlled by a person identified in Note 2(ab)(i).

(7) A person identified in Note 2(ab)(i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 Significant accounting policies (continued)

(ac) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting judgements and estimates

The Group's financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in Note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Coal reserves

Engineering estimates of the Group's coal reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated coal reserves can be designated as "proved" and "probable". Proved and probable coal reserve estimates are updated at regular basis and have taken into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable coal reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expenses and impairment loss. Depreciation rates are determined based on estimated proved and probable coal reserve quantity (the denominator) and capitalised costs of mining structures and mining rights (the numerator). The capitalised cost of mining structures and mining rights are amortised based on the units of coal produced.

3 Accounting judgements and estimates (continued)

(b) Impairments

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, construction in progress, intangible assets, investments in subsidiaries and associates, lease prepayments and other long-term equity investments (Note 2(o)(ii)), the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of its fair value less costs to sell and value in use. It is difficult to precisely estimate fair value because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

In considering the impairment losses that may be required for current receivables and other financial assets, future cashflows need to be determined. One of the key assumptions that has to be applied is about the ability of the debtors to settle the receivables. Notwithstanding that the Group has used all available information to make this estimation, inherent uncertainty exists and actual write-offs may be higher than the amount estimated.

(c) Depreciation

Other than the mining structures and mining rights, property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

3 Accounting judgements and estimates (continued)

(d) Obligations for land reclamation

The estimation of the liabilities for final reclamation and mine closure involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including future production volume and development plan, the geological structure of the mining regions and reserve volume to determine the scope, amount and timing of reclamation and mine closure works to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation will be recognised at the appropriate discount rate.

(e) Derivative financial instruments and share appreciation rights

In determining the fair value of the derivative financial instruments and share appreciation rights, considerable judgement is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

4 Revenues

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

5 Other revenues

	2012 **RMB million**	*2011* *RMB million* *(restated- Note 19(b))*
Rendering of transportation and other services	**5,987**	6,083
Sale of ancillary materials and other goods	**3,588**	1,705
Others	**3,600**	1,970
	13,175	9,758

6 Cost of revenues – others

	2012 RMB million	2011 RMB million (restated- Note 19(b))
Coal selection and minery fees	**7,878**	6,450
Taxes and surcharges	**1,729**	1,696
Dredging expenses	**380**	405
Relocation compensation expenses	**1,352**	642
Operating lease charges	**335**	290
Resources compensation fees	**571**	515
Environmental related expenses	**3,851**	3,533
Cost of sale of ancillary materials and other goods, and provision of other services	**5,460**	2,542
Others	**5,999**	3,496
	27,555	19,569

7 Total operating expenses

	2012 RMB million	2011 RMB million (restated- Note 19(b))
Personnel expenses, including	**16,768**	14,217
– contributions to retirement plans	**2,105**	1,595
– fair value gain on revaluation of share appreciation rights	**(1)**	(70)
Depreciation and amortisation	**18,150**	15,825
Net loss on disposal of property, plant and equipment	**194**	167
Cost of inventories (Note (i))	**146,150**	112,567
Auditors' remuneration, including		
– audit services	**28**	27
– other services	**1**	2
Operating lease charges on properties	**506**	467
Allowance for accounts receivable, other receivables and other non-current assets and write down of inventories	**47**	27
Impairment losses on property, plant and equipment	**23**	–
Impairment losses on other long-term equity investments	**43**	138
Donation (Note (ii))	**115**	625

Notes:

(i) Cost of inventories includes RMB16,015 million (2011: RMB14,961 million as restated) for the year ended 31 December 2012, relating to personnel expenses, depreciation and amortisation, operating lease charges and write down of inventories which amounts are also included in the respective amounts disclosed separately above for each of these types of expenses.

(ii) During the year ended 31 December 2012, the Group made a donation of RMB66 million (2011: RMB609 million as restated) to Shenhua Public Welfare Foundation founded by Shenhua Group.

8 Finance income/(expenses)

	2012 RMB million	*2011 RMB million (restated- Note 19(b))*
Interest income	**750**	978
Foreign exchange gain, net	**508**	–
Gain on remeasurement of derivative financial instruments and trading debt securities	**–**	114
Finance income	**1,258**	1,092
Interest on loans from banks and other financial institutions, and other borrowings	**(3,727)**	(3,564)
Less: Interest expense capitalised*	**412**	352
Net interest expense	**(3,315)**	(3,212)
Foreign exchange loss, net	**–**	(84)
Loss on remeasurement of derivative financial instruments and trading debt securities	**(14)**	–
Finance expenses	**(3,329)**	(3,296)
Net finance costs	**(2,071)**	(2,204)
* Interest expense was capitalised in construction in progress at the following rates per annum	**L+2.80%; 3.60%-7.85%**	L+2.80%; 3.60%-8.28%

Interest rates comprise fixed rates and floating rates based on the London Interbank Offered Rate ("LIBOR"/"L").

9 Income tax

	2012 RMB million	*2011 RMB million (restated- Note 19(b))*
Provision for PRC income tax (Note 28(a))	**11,435**	15,197
Deferred taxation (Note 28(b))	**(470)**	(1,156)
	10,965	14,041

9 Income tax (continued)

A reconciliation of the expected tax expense with the actual tax expense is as follows:

	2012 RMB million	*2011 RMB million (restated-Note 19(b))*
Profit before income tax	**68,011**	66,849
Expected PRC income tax expense at a statutory tax rate of 25% (2011: 25%) (Note (i))	**17,003**	16,712
Tax effect of differential tax rate on branches and subsidiaries' income (Note (i))	**(4,790)**	(2,880)
Tax effect of non-deductible expenses (Note (ii))	**268**	229
Tax effect in respect of share of profits less losses of associates	**(119)**	(87)
Tax effect of tax losses not recognised	**201**	60
Effect of change in tax rate	**(1,807)**	–
Others	**209**	7
Actual tax expense	**10,965**	14,041

Notes:

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

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

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

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

(ii) Non-deductible expenses mainly represent personnel and other miscellaneous expenses in excess of statutory deductible limits for tax purposes.

10 Directors' and supervisors' emoluments

Details of directors' and supervisors' emoluments are set out below:

	2012					
	Fees RMB million	Basic salaries, housing and other allowances and benefits in kind RMB million	Discretionary bonuses RMB million	Retirement scheme contributions RMB million	Total RMB million	Share appreciation rights (Note (i)) RMB million
Executive directors						
Zhang Xiwu (Note (ii))	–	–	–	–	–	–
Zhang Yuzhuo (Note (ii))	–	–	–	–	–	(1.38)
Ling Wen	–	0.49	0.37	0.13	0.99	–
Han Jianguo	–	0.49	0.35	0.12	0.96	–
Non-executive directors						
Kong Dong (appointed on 25 May 2012) (Note (ii))	–	–	–	–	–	–
Chen Hongsheng (appointed on 25 May 2012) (Note (ii))	–	–	–	–	–	–
Liu Benren (resigned on 25 May 2012) (Note (ii))	–	–	–	–	–	–
Xie Songlin (resigned on 25 May 2012) (Note (ii))	–	–	–	–	–	–
Independent non-executive directors						
Gong Huazhang	0.45	–	–	–	0.45	–
Fan Hsulaitai	0.45	–	–	–	0.45	–
Guo Peizhang	0.45	–	–	–	0.45	–
Supervisors						
Sun Wenjian (Note (ii))	–	–	–	–	–	–
Tang Ning	–	0.48	0.47	0.10	1.05	–
Zhao Shibin	–	0.48	0.39	0.11	0.98	–
	1.35	1.94	1.58	0.46	5.33	(1.38)

10 Directors' and supervisors' emoluments (continued)

	2011					
	Fees RMB million	Basic salaries, housing and other allowances and benefits in kind RMB million	Discretionary bonuses RMB million	Retirement scheme contributions RMB million	Total RMB million	Share appreciation rights (Note (i)) RMB million
Executive directors						
Zhang Xiwu (Note (ii))	–	–	–	–	–	(3.76)
Zhang Yuzhuo (Note (ii))	–	–	–	–	–	(3.86)
Ling Wen	–	0.43	0.52	0.12	1.07	(2.85)
Han Jianguo* (appointed on 24 May 2011)	–	0.25	0.32	0.07	0.64	(2.85)
Non-executive directors						
Liu Benren (Note (ii))	–	–	–	–	–	–
Xie Songlin (Note (ii))	–	–	–	–	–	–
Independent non-executive directors						
Gong Huazhang	0.45	–	–	–	0.45	–
Fan Hsulaitai	0.45	–	–	–	0.45	–
Guo Peizhang	0.45	–	–	–	0.45	–
Supervisors						
Sun Wenjian (Note (ii))	–	–	–	–	–	–
Tang Ning	–	0.36	0.23	0.08	0.67	–
Zhao Shibin	–	0.47	0.11	0.12	0.70	–
	1.35	1.51	1.18	0.39	4.43	(13.32)

* With effect from 24 May 2011, Han Jianguo has been re-designated from a non-executive director to an executive director.

Notes:

(i) These represent the change in the fair value of the share appreciation rights granted to the directors and supervisors under the Company's share appreciation rights scheme. The value of these share appreciation rights is measured according to the Company's accounting policy for share appreciation rights as set out in Note 2(u)(iii).

The details of these benefits, including the principal terms and number of share appreciation rights granted, are disclosed in Note 37.

(ii) Other than the share appreciation rights granted, the emoluments of these directors and supervisors were borne by Shenhua Group during the years ended 31 December 2012 and 2011.

11 Individuals with highest emoluments

Of the five highest paid individuals of the Group, three (2011: one) are directors of the Company for the year ended 31 December 2012 whose emoluments are disclosed in Note 10.

The aggregate of the emoluments in respect of the other two (2011: four) individuals are as follows:

	2012 RMB million	*2011 RMB million*
Basic salaries, housing and other allowances and benefits in kind	**0.87**	1.37
Discretionary bonuses	**0.92**	2.36
Retirement scheme contributions	**0.23**	0.37
	2.02	4.10
Share appreciation rights	**(0.81)**	(5.63)

The emoluments of the two (2011: four) individuals with the highest emoluments are within the following band:

	Number of individuals	
	2012	*2011*
HKD1,000,001 to HKD2,000,000	**2**	4

12 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB9,652 million (2011: RMB12,497 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:

	2012 RMB million	*2011 RMB million*
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	**9,652**	12,497
Dividends from subsidiaries and associates attributable to the profits of the previous financial year, approved, paid and payable during the year	**8,180**	10,192
	17,832	22,689

Details of dividend paid and payable to equity shareholders of the Company are set out in Note 14.

13 Other comprehensive income

The components of other comprehensive income do not have any significant tax effect for the years ended 31 December 2012 and 2011.

14 Dividends

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

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

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

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

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

15 Earnings per share

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

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

16 Property, plant and equipment, net

The Group

	Land and buildings RMB million	Mining structures and mining rights RMB million	Mining related machinery and equipment RMB million	Generators and related machinery and equipment RMB million	Railway and port structures RMB million	Vessels RMB million	Furniture, fixtures, motor vehicles and other equipment RMB million	Total RMB million
Cost:								
At 1 January 2011 (as previously reported)	30,548	25,200	44,433	91,598	56,796	1,356	9,239	259,170
Adjustment in relation to the 2012 Acquisitions (Note 19(b))	1,331	–	–	3,475	–	–	31	4,837
At 1 January 2011 (as restated)	31,879	25,200	44,433	95,073	56,796	1,356	9,270	264,007
Exchange adjustment	(11)	–	–	–	–	–	–	(11)
Additions	355	1,600	794	80	2,327	–	581	5,737
Acquisition of subsidiaries	2,445	–	–	6,362	–	–	18	8,825
Transferred from construction in progress	1,923	1,272	6,830	19,114	2,509	199	877	32,724
Disposals	(39)	(27)	(684)	(47)	(106)	–	(203)	(1,106)
At 31 December 2011 (as restated)	36,552	28,045	51,373	120,582	61,526	1,555	10,543	310,176
Accumulated depreciation and impairment losses:								
At 1 January 2011 (as previously reported)	7,013	4,317	15,742	22,300	17,431	37	4,269	71,109
Adjustment in relation to the 2012 Acquisitions (Note 19(b))	152	–	–	1,046	–	–	15	1,213
At 1 January 2011 (as restated)	7,165	4,317	15,742	23,346	17,431	37	4,284	72,322
Charge for the year	1,399	1,041	4,054	5,106	2,521	84	1,209	15,414
Written back on disposals	(11)	(27)	(595)	(30)	(74)	–	(152)	(889)
At 31 December 2011 (as restated)	8,553	5,331	19,201	28,422	19,878	121	5,341	86,847
Net book value:								
At 31 December 2011 (as restated)	27,999	22,714	32,172	92,160	41,648	1,434	5,202	223,329
Cost:								
At 1 January 2012 (as restated)	**36,552**	**28,045**	**51,373**	**120,582**	**61,526**	**1,555**	**10,543**	**310,176**
Exchange adjustment	**21**	**–**	**–**	**(5)**	**–**	**–**	**–**	**16**
Additions	**177**	**411**	**1,329**	**379**	**6,395**	**–**	**547**	**9,238**
Acquisition of subsidiaries	**2,361**	**–**	**–**	**4,418**	**–**	**–**	**68**	**6,847**
Transferred from construction in progress	**1,897**	**503**	**5,202**	**1,805**	**4,707**	**–**	**823**	**14,937**
Disposals	**(109)**	**–**	**(681)**	**(584)**	**(248)**	**(19)**	**(357)**	**(1,998)**
At 31 December 2012	**40,899**	**28,959**	**57,223**	**126,595**	**72,380**	**1,536**	**11,624**	**339,216**
Accumulated depreciation and impairment losses:								
At 1 January 2012 (as restated)	**8,553**	**5,331**	**19,201**	**28,422**	**19,878**	**121**	**5,341**	**86,847**
Charge for the year	**1,740**	**1,041**	**4,596**	**6,246**	**2,744**	**91**	**1,264**	**17,722**
Impairment losses (Note (iv))	**4**	**–**	**–**	**19**	**–**	**–**	**–**	**23**
Written back on disposals	**(29)**	**–**	**(650)**	**(338)**	**(172)**	**–**	**(235)**	**(1,424)**
At 31 December 2012	**10,268**	**6,372**	**23,147**	**34,349**	**22,450**	**212**	**6,370**	**103,168**
Net book value:								
At 31 December 2012	**30,631**	**22,587**	**34,076**	**92,246**	**49,930**	**1,324**	**5,254**	**236,048**

16 Property, plant and equipment, net (continued)

The Company

	Buildings RMB million	Mining structures and mining rights RMB million	Mining related machinery and equipment RMB million	Generators and related machinery and equipment RMB million	Railway and port structures RMB million	Furniture, fixtures, motor vehicles and other equipment RMB million	Total RMB million
Cost:							
At 1 January 2011	8,894	19,170	34,466	1,977	15,269	3,377	83,153
Additions	275	501	596	2	1,740	401	3,515
Transferred from construction in progress	585	837	5,492	7	835	266	8,022
Transferred to subsidiaries	(568)	–	(4,207)	–	–	(224)	(4,999)
Disposals	(23)	(27)	(651)	(3)	(19)	(68)	(791)
At 31 December 2011	9,163	20,481	35,696	1,983	17,825	3,752	88,900
Accumulated depreciation and impairment losses:							
At 1 January 2011	1,183	3,679	12,025	117	6,071	1,306	24,381
Charge for the year	394	776	3,536	89	877	594	6,266
Transferred to subsidiaries	(103)	–	(1,441)	–	–	(96)	(1,640)
Written back on disposals	(5)	(27)	(578)	(3)	(18)	(53)	(684)
At 31 December 2011	1,469	4,428	13,542	203	6,930	1,751	28,323
Net book value:							
At 31 December 2011	7,694	16,053	22,154	1,780	10,895	2,001	60,577
Cost:							
At 1 January 2012	**9,163**	**20,481**	**35,696**	**1,983**	**17,825**	**3,752**	**88,900**
Additions	**107**	**88**	**520**	**3**	**6,028**	**101**	**6,847**
Transferred from construction in progress	**80**	**328**	**4,106**	**1**	**399**	**313**	**5,227**
Transferred to subsidiaries	**(253)**	**(1,085)**	**(1,484)**	**–**	**–**	**(333)**	**(3,155)**
Disposals	**(5)**	**–**	**(501)**	**(3)**	**(41)**	**(153)**	**(703)**
At 31 December 2012	**9,092**	**19,812**	**38,337**	**1,984**	**24,211**	**3,680**	**97,116**
Accumulated depreciation and impairment losses:							
At 1 January 2012	**1,469**	**4,428**	**13,542**	**203**	**6,930**	**1,751**	**28,323**
Charge for the year	**365**	**817**	**3,536**	**115**	**970**	**439**	**6,242**
Transferred to subsidiaries	**(6)**	**(46)**	**(31)**	**–**	**–**	**(1)**	**(84)**
Written back on disposals	**(1)**	**–**	**(500)**	**(3)**	**(14)**	**(103)**	**(621)**
At 31 December 2012	**1,827**	**5,199**	**16,547**	**315**	**7,886**	**2,086**	**33,860**
Net book value:							
At 31 December 2012	**7,265**	**14,613**	**21,790**	**1,669**	**16,325**	**1,594**	**63,256**

16 Property, plant and equipment, net (continued)

Notes:

(i) The Group's freehold land with a carrying amount of RMB1,260 million at 31 December 2012 (2011: RMB1,173 million as restated) is located in Australia. The Group's other property, plant and equipment are mainly located in the PRC.

(ii) The Group was in the process of applying for the title certificates of certain of its properties with an aggregate carrying amount of RMB5,536 million as at 31 December 2012 (2011: RMB6,015 million as restated), of which RMB854 million related to newly acquired or constructed properties in 2012. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned properties.

(iii) Certain power plants, mines and railway of the Group were in the process of obtaining requisite permits from the relevant government authorities at 31 December 2012. The directors of the Company are of the opinion that the Group will be able to obtain the requisite permits in due course.

(iv) Certain property, plant and equipment which were obsolete, damaged or that could not generate future economic benefits were provided against for impairment for the year ended 31 December 2012. No impairment loss was recognised for the year ended 31 December 2011.

(v) At 31 December 2012, property, plant and equipment with carrying amount of RMB2,554 million (2011: RMB775 million as restated) were pledged to secure certain long-term borrowings (see Note 29).

17 Construction in progress

	The Group		***The Company***	
	2012 RMB million	*2011 RMB million (restated-Note 19(b))*	***2012 RMB million***	*2011 RMB million*
At the beginning of the year	**34,384**	33,096	**6,060**	4,447
Additions	**40,868**	31,762	**6,586**	10,910
Acquisition of subsidiaries	**827**	2,250	**–**	–
Transferred to property, plant and equipment	**(14,937)**	(32,724)	**(5,227)**	(8,022)
Transferred to subsidiaries	**–**	–	**(512)**	(1,275)
At the end of the year	**61,142**	34,384	**6,907**	6,060

Certain construction projects were in the process of obtaining requisite permits from the relevant government authorities at 31 December 2012. The directors of the Company are of the opinion that the Group will be able to obtain the requisite permits in due course.

18 Intangible assets

	The Group		The Company	
	2012 RMB million	*2011 RMB million (restated- Note 19(b))*	**2012 RMB million**	*2011 RMB million*
Exploration rights	**2,106**	2,077	**–**	–
Railway route access	**288**	298	**117**	121
Others	**1,387**	1,235	**166**	150
	3,781	3,610	**283**	271

The movement of intangible assets is as follows:

	The Group		The Company	
	2012 RMB million	*2011 RMB million (restated- Note 19(b))*	**2012 RMB million**	*2011 RMB million*
At the beginning of the year	**3,610**	3,263	**271**	265
Exchange adjustment	**41**	(21)	**–**	–
Additions	**552**	778	**44**	23
Acquisition of subsidiaries	**8**	1	**–**	–
Amortisation	**(428)**	(411)	**(27)**	(17)
Transferred to subsidiaries	**–**	–	**(3)**	–
Disposals	**(2)**	–	**(2)**	–
At the end of the year	**3,781**	3,610	**283**	271

19 Investments in subsidiaries

	The Company	
	2012 RMB million	*2011 RMB million*
Unlisted shares, at cost	**78,593**	63,242

(Expressed in Renminbi)

19 Investments in subsidiaries (continued)

(a) *The Company's subsidiaries are unlisted. The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group:*

Name of the Company	*Place of incorporation and operation*	*Type of legal entity*	*Particulars of registered capital*	*% held by the Company*	*Principal activities*
Shenhua Sales Group Co., Ltd.	PRC	Limited company	RMB1,705 million	100%	Trading of coal
Shenwan Energy Co., Ltd.	PRC	Limited company	RMB3,226 million	51%	Trading of coal
Shenhua Shendong Coal Group Co., Ltd.	PRC	Limited company	RMB4,548 million	100%	Trading of coal; provision of integrated services
Shenhua Zhunge'er Energy Co., Ltd.	PRC	Limited company	RMB7,102 million	58%	Coal mining and development; generation and sale of electricity
Shenhua Baorixile Energy Co., Ltd.	PRC	Limited company	RMB1,169 million	57%	Coal mining; provision of transportation services
Shenhua Beidian Shengli Energy Co., Ltd.	PRC	Limited company	RMB1,185 million	63%	Coal mining; provision of transportation services
Shaanxi Guohua Jinjie Energy Co., Ltd.	PRC	Limited company	RMB2,278 million	70%	Generation and sale of electricity; coal mining and development
Shenhua Guohua International Power Co., Ltd.	PRC	Limited company	RMB4,010 million	70%	Generation and sale of electricity
Shenhua Shendong Power Co., Ltd.	PRC	Limited company	RMB2,000 million	100%	Generation and sale of electricity
Guangdong Guohua Yuedian Taishan Power Co., Ltd.	PRC	Limited company	RMB2,700 million	80%	Generation and sale of electricity
Zhejiang Guohua Zheneng Power Generation Co., Ltd.	PRC	Limited company	RMB3,255 million	60%	Generation and sale of electricity
Suizhong Power Co., Ltd. (Note (i))	PRC	Limited company	RMB4,029 million	15%	Generation and sale of electricity
Hebei Guohua Cangdong Power Co., Ltd.	PRC	Limited company	RMB1,779 million	51%	Generation and sale of electricity
Hebei Guohua Dingzhou Power Generation Co., Ltd. (Note (ii))	PRC	Limited company	RMB1,561 million	41%	Generation and sale of electricity
Guohua Taicang Power Co., Ltd.	PRC	Limited company	RMB2,000 million	50%	Generation and sale of electricity
Shenhua Bashu Power Co., Ltd.	PRC	Limited company	RMB2,152 million	51%	Generation and sale of electricity; trading of coal

(Expressed in Renminbi)

19 Investments in subsidiaries (continued)

(a) The Company's subsidiaries are unlisted. The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group: (continued)

Name of the Company	Place of incorporation and operation	Type of legal entity	Particulars of registered capital	% held by the Company	Principal activities
Shenhua Fujian Energy Co., Ltd.	PRC	Limited company	RMB1,402 million	100%	Generation and sale of electricity
Shuohuang Railway Development Co., Ltd.	PRC	Limited company	RMB5,880 million	53%	Provision of transportation services
Shenhua Baoshen Railway Co., Ltd.	PRC	Limited company	RMB1,458 million	88%	Provision of transportation services
Shenhua Xizhun Railway Co., Ltd.	PRC	Limited company	RMB1,228 million	90%	Provision of transportation services
Shenhua Zhunchi Railway Co., Ltd.	PRC	Limited company	RMB4,710 million	85%	Provision of transportation services
Shenhua Ganquan Railway Co., Ltd.	PRC	Limited company	RMB2,730 million	88%	Provision of transportation services
Shenhua Huanghua Harbour Administration Co., Ltd.	PRC	Limited company	RMB4,113 million	70%	Provision of harbour and port services
Shenhua Zhonghai Shipping Co., Ltd.	PRC	Limited company	RMB3,100 million	51%	Provision of transportation services
Shenhua Finance Co., Ltd. (Note (iii))	PRC	Limited company	RMB700 million	81%	Provision of financial services
China Shenhua Overseas Development & Investment Co., Ltd.	Hong Kong	Limited company	HKD2,184 million	100%	Investment holding
Shenhua Australia Holding Pty Ltd.	Australia	Limited company	AUD400 million	100%	Coal mining and development; generation and sale of electricity
Shenhua Watermark Coal Pty Ltd. (Note (iv))	Australia	Limited company	AUD350 million	–	Coal mining and development; generation and sale of electricity
PT GH EMM Indonesia	Indonesia	Limited company	USD63 million	70%	Coal mining and development; generation and sale of electricity

19 Investments in subsidiaries (continued)

(a) The Company's subsidiaries are unlisted. The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group: (continued)

Notes:

(i) In addition to 15% equity interest held by the Company, the Company's subsidiary owned 50% equity interest in Suizhong Power Co., Ltd.

(ii) The shareholders of Hebei Guohua Dingzhou Power Generation Co., Ltd. ("Dingzhou Power") offered the Company for the right on appointment of the majority of the board of directors, which made the Company to obtain the control over Dingzhou Power through contractual agreement.

(iii) The Company's subsidiaries owned 18% equity interest in Shenhua Finance Co., Ltd. ("Shenhua Finance").

(iv) The Company's subsidiary owned 100% equity interest in Shenhua Watermark Coal Pty Ltd.

(b) Acquisitions from Shenhua Group in 2012

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

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

, collectively referred to as the "2012 Acquisitions".

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

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

19 Investments in subsidiaries (continued)

(b) Acquisitions from Shenhua Group in 2012 (continued)

As a result of the 2012 Acquisitions, the relevant line items in the consolidated statement of comprehensive income for the year ended 31 December 2011 and the consolidated statement of financial position as at 31 December 2011 have been restated as follows:

	The Group (as previously reported) RMB million	2012 Acquisitions RMB million	Elimination RMB million	The Group (as restated) RMB million
Consolidated statement of comprehensive income for the year ended 31 December 2011:				
Revenues	208,197	3,122	(2,094)	209,225
Profit for the year	52,509	298	1	52,808
Consolidated statement of financial position as at 31 December 2011:				
Non-current assets	293,140	4,841	–	297,981
Current assets	107,937	979	(390)	108,526
Total assets	401,077	5,820	(390)	406,507
Current liabilities	87,549	591	(391)	87,749
Non-current liabilities	49,214	1,430	–	50,644
Total liabilities	136,763	2,021	(391)	138,393
Net assets	264,314	3,799	1	268,114
Equity attributable to equity shareholders of the Company	225,822	3,789	(1,412)	228,199
Non-controlling interests	38,492	10	1,413	39,915
Total equity	264,314	3,799	1	268,114

19 Investments in subsidiaries (continued)

(c) Acquisitions from Shenhua Group in 2011

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

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

, collectively referred to as the "2011 Acquisitions".

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

(d) Acquisitions from third parties

(i) During the year ended 31 December 2012

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

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

19 Investments in subsidiaries (continued)

(d) Acquisitions from third parties (continued)

(i) During the year ended 31 December 2012 (continued)

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

  – 51% equity interest in Fujian Jinjiang Thermal Power Co., Ltd.

  – 64% equity interest in Fujian Province Longyan Power Generation Co., Ltd.

  – 75% equity interest in Fujian Province Yanshi Power Generation Co., Ltd.

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

During the period from the respective date of acquisitions to 31 December 2012, Entities Acquired in 2012 contributed revenue of RMB1,330 million and loss of RMB49 million to the Group's result. If the above acquisitions had occurred on 1 January 2012, management estimates that consolidated revenue would have been RMB253,263 million, and profit attributable to equity shareholders of the Company would have been RMB48,845 million.

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

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

19 Investments in subsidiaries (continued)

(d) Acquisitions from third parties (continued)

(ii) During the year ended 31 December 2011

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

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

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

The goodwill recognised from the Entities Acquired in 2011 and Entities Acquired in 2012 is mainly attributable to the synergies expected to be achieved from integrating the entities into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

20 Interest in associates

	The Group		***The Company***	
	2012 RMB million	*2011 RMB million (restated- Note 19(b))*	**2012 RMB million**	*2011 RMB million*
Unlisted shares, at cost	**–**	–	**1,203**	1,159
Share of net assets	**4,689**	3,992	**–**	–
	4,689	3,992	**1,203**	1,159

20 Interest in associates (continued)

The Group's interests in associates are individually and in aggregate not material to the Group's financial condition or results of operations for the year. The Group's associates are unlisted and mainly established in the PRC. The following list contains only the particulars of associates, which principally affected the results or assets of the Group:

Name of the Company	Type of legal entity	Particulars of registered capital	Ownership interest: % held by the Company	Ownership interest: % held by subsidiaries	Principal activities
Shendong Tianlong Group Co., Ltd.	Limited company	RMB272 million	–	21%	Coal production
Zhejiang Zheneng Jiahua Power Co., Ltd.	Limited company	RMB3,422 million	20%	–	Generation and sale of electricity
Sichuan Guangan Power Co., Ltd.	Limited company	RMB1,786 million	–	20%	Generation and sale of electricity
Guohua (Hebei) Renewables Co., Ltd.	Limited company	RMB1,214 million	–	21%	Generation and sale of electricity
Tianjin Yuanhua Shipping Co., Ltd.	Limited company	RMB360 million	44%	–	Provision of transportation services
Inner Mongolia Yili Chemical Industry Co., Ltd.	Limited company	RMB1,139 million	–	25%	Production and sale of chemicals

21 Other long-term equity investments

Other long-term equity investments comprise unlisted equity securities. As there is no quoted market price in an active market for these investments, they are stated at cost less impairment losses.

22 Other non-current assets

	The Group 2012 RMB million	The Group 2011 RMB million (restated- Note 19(b))	The Company 2012 RMB million	The Company 2011 RMB million
Prepayments in connection with construction work, equipment purchases and others (Note (i))	**10,891**	10,528	**5,348**	7,022
Prepayment for mining projects	**9,500**	4,500	**9,500**	4,500
Loans to Shenhua Group and its affiliates (Note (ii))	**2,469**	3,048	**–**	–
Long-term entrusted loans (Note (iii))	**657**	70	**2,566**	4,071
Long-term loans (Note (iv))	**–**	–	**1,463**	–
Goodwill	**951**	614	**–**	–
Others	**146**	155	**–**	–
	24,614	18,915	**18,877**	15,593

22 Other non-current assets (continued)

Notes:

(i) At 31 December 2012, the Group and the Company had prepayments to affiliates of Shenhua Group amounting to RMB76 million (2011: RMB233 million as restated) and RMB16 million (2011: RMB56 million) respectively.

(ii) The loans to Shenhua Group and its affiliates bear interest at rates ranging from 5.76% to 6.35% per annum (2011: 5.47% to 6.35% per annum as restated) and are receivable within two to six years.

(iii) The Group has long-term entrusted loans to an associate through a PRC state-owned bank. The loans bear interest at rates ranging from 6.40% to 6.77% per annum (2011: 7.32% per annum as restated) and are receivable within two to five years.

The Company has long-term entrusted loans to subsidiaries through PRC state-owned banks. The loans bear interest at rates ranging from 5.20% to 5.54% per annum (2011: 4.59% to 6.43% per annum) and are receivable within two to four years.

(iv) The Company has long-term loans to overseas subsidiaries amounting to RMB1,463 million at 31 December 2012 (2011: Nil). The loans bear interest at rates ranging from L+0.8% to L+4.0% per annum and are receivable within two years.

Included in other non-current assets are the following amounts (expressed in RMB) denominated in foreign currency:

	The Group		***The Company***	
	2012 RMB million	*2011 RMB million (restated-Note 19(b))*	***2012 RMB million***	*2011 RMB million*
United States Dollars	**–**	–	**484**	–
Australian Dollars	**–**	–	**979**	–

23 Lease prepayments

Lease prepayments represent land use rights paid to the PRC's governmental authorities. The Group was in the process of applying for the title certificates of certain land use rights with an aggregate carrying amount of RMB2,681 million as at 31 December 2012 (2011: RMB1,916 million as restated), of which RMB984 million were newly acquired in 2012. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned lands.

Lease prepayments of the Group and the Company are mainly with medium-term leases, which their remaining unexpired term as at 31 December 2012 is less than 50 years but more than 10 years.

24 Inventories

	The Group		The Company	
	2012 RMB million	*2011 RMB million (restated- Note 19(b))*	**2012 RMB million**	*2011 RMB million*
Coal	**4,697**	5,249	**101**	206
Materials and supplies	**9,190**	6,123	**5,604**	2,909
Others (Note)	**1,284**	1,567	**–**	–
	15,171	12,939	**5,705**	3,115

Note: Others mainly represent properties under development.

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	The Group	
	2012 RMB million	*2011 RMB million (restated- Note 19(b))*
Carrying amount of inventories sold	**146,147**	112,554
Write down of inventories	**3**	13
	146,150	112,567

25 Accounts and bills receivable, net

	The Group		The Company	
	2012 RMB million	*2011 RMB million (restated- Note 19(b))*	**2012 RMB million**	*2011 RMB million*
Accounts receivable				
Shenhua Group and its affiliates	**1,226**	620	**457**	349
Subsidiaries	**–**	–	**4,975**	32,540
Associates	**7**	73	**–**	–
Third parties	**17,980**	12,036	**299**	495
	19,213	12,729	**5,731**	33,384
Less: allowance for doubtful debts	**(93)**	(84)	**(3)**	(5)
	19,120	12,645	**5,728**	33,379
Bills receivable	**908**	973	**76**	299
	20,028	13,618	**5,804**	33,678

Accounts and bills receivable are expected to be recovered within one year.

25 Accounts and bills receivable, net (continued)

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

	The Group		The Company	
	2012 RMB million	*2011 RMB million (restated- Note 19(b))*	**2012 RMB million**	*2011 RMB million*
Within one year	**19,918**	13,527	**5,786**	33,677
One to two years	**49**	37	**17**	1
Two to three years	**19**	54	**1**	–
Over three years	**42**	–	**–**	–
	20,028	13,618	**5,804**	33,678

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

The movement of allowance for doubtful debts was as follows:

	The Group		The Company	
	2012 RMB million	*2011 RMB million (restated- Note 19(b))*	**2012 RMB million**	*2011 RMB million*
At the beginning of the year	**84**	81	**5**	3
Impairment loss recognised	**15**	6	**–**	3
Impairment loss written back	**(3)**	(3)	**(2)**	(1)
Impairment loss written off	**(3)**	–	**–**	–
At the end of the year	**93**	84	**3**	5

The ageing analysis of accounts and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	The Group		The Company	
	2012 RMB million	*2011 RMB million (restated- Note 19(b))*	**2012 RMB million**	*2011 RMB million*
Neither past due nor impaired	**19,970**	13,533	**5,804**	33,678
Less than one year past due	**58**	85	**–**	–
	20,028	13,618	**5,804**	33,678

25 Accounts and bills receivable, net (continued)

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Included in accounts and bills receivable are the following amounts (expressed in RMB) denominated in foreign currency:

	The Group		The Company	
	2012 RMB million	*2011 RMB million (restated- Note 19(b))*	**2012 RMB million**	*2011 RMB million*
United States Dollars	**263**	397	**–**	–

26 Prepaid expenses and other current assets

	The Group		The Company	
	2012 RMB million	*2011 RMB million (restated- Note 19(b))*	**2012 RMB million**	*2011 RMB million*
Fair value of derivative financial instruments	**324**	467	**324**	467
Trading debt securities	**395**	466	**–**	–
Prepaid expenses and deposits	**3,989**	2,562	**199**	1,018
Loans and advances to Shenhua Group and its affiliates (Note (i))	**5,120**	4,496	**578**	463
Amounts due from associates (Note (ii))	**341**	673	**80**	–
Amounts due from subsidiaries (Note (iii))	**–**	–	**54,510**	50,787
Advances to staff	**65**	57	**29**	27
Other receivables	**4,246**	3,973	**540**	680
	14,480	12,694	**56,260**	53,442

26 Prepaid expenses and other current assets (continued)

Notes:

(i) At 31 December 2012, the Group had loans to Shenhua Group and its affiliates amounting to RMB4,385 million (2011: RMB3,798 million as restated), which bear interest at rates ranging from 5.40% to 5.90% per annum (2011: 5.23% to 5.90% per annum as restated). The remaining balances are unsecured, interest-free and have no fixed terms of repayment.

(ii) At 31 December 2012, the Group had an entrusted loan to an associate amounting to RMB40 million (2011: RMB657 million as restated) through a PRC state-owned bank, which bears interest at 6.77% per annum (2011: 6.90% to 7.32% per annum as restated). The remaining balances with associates are unsecured, interest-free and have no fixed terms of repayment.

(iii) At 31 December 2012, the Company had entrusted loans to subsidiaries amounting to RMB39,538 million (2011: RMB32,058 million), which bear interest at rates ranging from 0.50% to 6.56% per annum (2011: 5.20% to 6.56% per annum) and are repayable within one year.

At 31 December 2011, the Company had a loan to an overseas subsidiary amounting to RMB961 million, which bore interest at L+0.8% per annum and was repayable within one year. In 2012, the loan was extended for two years. Accordingly, the balance was classified as non-current assets at 31 December 2012. The remaining balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

27 Restricted bank deposits and cash and cash equivalents

(a) Restricted bank deposits

At 31 December 2012, the restricted bank deposits of the Group mainly represent the statutory deposit reserve placed in the PBOC by Shenhua Finance and other security deposits.

At 31 December 2012, the restricted bank deposits of the Company mainly represent the security deposits.

27 Restricted bank deposits and cash and cash equivalents (continued)

(b) Cash and cash equivalents comprise:

Cash and cash equivalents in the statement of financial position and the consolidated statement of cash flows comprise cash at bank and in hand, and time deposits with original maturity within three months.

Included in cash and cash equivalents are the following amounts (expressed in RMB) denominated in foreign currency:

	The Group		The Company	
	2012 RMB million	2011 RMB million (restated-Note 19(b))	**2012 RMB million**	2011 RMB million
United States Dollars	**361**	216	**–**	–
Hong Kong Dollars	**37**	57	**31**	39
Australian Dollars	**206**	141	**–**	–
Indonesian Rupiah	**15**	30	**–**	–
Russian Ruble	**191**	–	**–**	–

(c) Reconciliation of profit before income tax to cash generated from operations:

	2012 RMB million	2011 RMB million (restated-Note 19(b))
Profit before income tax	**68,011**	66,849
Adjustments for:		
Depreciation and amortisation	**18,150**	15,825
Impairment losses on property, plant and equipment	**23**	–
Impairment losses on other long-term equity investments	**43**	138
Net loss on disposal of property, plant and equipment	**194**	167
Investment income	**(1)**	(1)
Interest income	**(750)**	(978)
Share of profits less losses of associates	**(477)**	(346)
Net interest expense	**3,315**	3,212
Loss/(gain) on remeasurement of derivative financial instruments and trading debt securities to fair value	**14**	(114)
Unrealised foreign exchange gain	**(580)**	(149)
	87,942	84,603
Increase in accounts and bills receivable	**(5,661)**	(896)
Increase in inventories	**(1,847)**	(934)
Increase in prepaid expenses and other assets	**(1,326)**	(1,367)
Increase in accounts and bills payable	**2,137**	102
Increase in accrued expenses and other payables, long-term payables and accrued reclamation obligations	**5,303**	3,593
Cash generated from operations	**86,548**	85,101

27 Restricted bank deposits and cash and cash equivalents (continued)

(d) Net inflow/outflow of cash and cash equivalents in respect of the acquisition of subsidiaries

(i) Net cash inflow in relation to the acquisition of subsidiaries

	2012 RMB million	*2011 RMB million (restated-Note 19(b))*
Cash and cash equivalents acquired	**498**	–

(ii) Net cash outflow in relation to the acquisition of subsidiaries

	2012 RMB million	*2011 RMB million (restated-Note 19(b))*
Cash consideration paid	**1,089**	1,817
Cash and cash equivalents acquired	**(17)**	(151)
	1,072	1,666

28 Income tax in the statement of financial position

(a) Current taxation in the statement of financial position

	The Group		**The Company**	
	2012 RMB million	*2011 RMB million (restated-Note 19(b))*	**2012 RMB million**	*2011 RMB million*
Provision for PRC income tax for the year (Note 9)	**11,435**	15,197	**1,593**	4,318
Provisional income tax paid	**(6,749)**	(7,257)	**(772)**	(1,568)
	4,686	7,940	**821**	2,750

28 Income tax in the statement of financial position (continued)

(b) Deferred tax assets and liabilities

(i) The Group

	At 1 January 2012 RMB million (restated-Note 19(b))	Recognised in profit or loss RMB million	Recognised in business combination RMB million	At 31 December 2012 RMB million
Allowances, primarily for receivables and inventories	**142**	**(27)**	**–**	**115**
Property, plant and equipment	**79**	**24**	**(283)**	**(180)**
Lease prepayments	**(99)**	**–**	**(80)**	**(179)**
Tax losses carried forward, net of valuation allowances	**80**	**61**	**45**	**186**
Tax allowable expenses not yet incurred	**(1,351)**	**727**	**–**	**(624)**
Unrealised profits from sales within the Group	**576**	**(271)**	**–**	**305**
Accrued salaries and other expenses not yet paid	**297**	**(60)**	**–**	**237**
Pre-operating expenses written off	**17**	**(3)**	**–**	**14**
Others	**61**	**19**	**2**	**82**
Net deferred tax liabilities	**(198)**	**470**	**(316)**	**(44)**

	At 1 January 2011 RMB million (restated-Note 19(b))	Recognised in profit or loss RMB million (restated-Note 19(b))	Recognised in business combination RMB million (restated-Note 19(b))	At 31 December 2011 RMB million (restated-Note 19(b))
Allowances, primarily for receivables and inventories	145	(3)	–	142
Property, plant and equipment	(88)	258	(91)	79
Lease prepayments	–	–	(99)	(99)
Tax losses carried forward, net of valuation allowances	50	30	–	80
Tax allowable expenses not yet incurred	(1,715)	364	–	(1,351)
Unrealised profits from sales within the Group	180	396	–	576
Accrued salaries and other expenses not yet paid	257	40	–	297
Pre-operating expenses written off	24	(7)	–	17
Others	(17)	78	–	61
Net deferred tax liabilities	(1,164)	1,156	(190)	(198)

28 Income tax in the statement of financial position (continued)

(b) Deferred tax assets and liabilities (continued)

(ii) The Company

	At 1 January 2012 RMB million	***Recognised in profit or loss RMB million***	***Transferred to subsidiaries RMB million***	***At 31 December 2012 RMB million***
Allowances, primarily for receivables and inventories	**70**	**(27)**	**(1)**	**42**
Property, plant and equipment	**64**	**(117)**	**(6)**	**(59)**
Tax allowable expenses not yet incurred	**(1,137)**	**632**	**57**	**(448)**
Accrued salaries and other expenses not yet paid	**228**	**(53)**	**(20)**	**155**
Others	**(48)**	**29**	**–**	**(19)**
Net deferred tax liabilities	**(823)**	**464**	**30**	**(329)**

	At 1 January 2011 RMB million	*Recognised in profit or loss RMB million*	*2011 Acquisitions RMB million (Note 19(c))*	*At 31 December 2011 RMB million*
Allowances, primarily for receivables and inventories	71	(1)	–	70
Property, plant and equipment	(1)	65	–	64
Tax allowable expenses not yet incurred	(1,331)	249	(55)	(1,137)
Accrued salaries and other expenses not yet paid	193	35	–	228
Others	(106)	58	–	(48)
Net deferred tax liabilities	(1,174)	406	(55)	(823)

28 Income tax in the statement of financial position (continued)

(b) Deferred tax assets and liabilities (continued)

(iii) Reconciliation to the statement of financial position

	The Group		The Company	
	2012 RMB million	*2011 RMB million (restated- Note 19(b))*	**2012 RMB million**	*2011 RMB million*
Net deferred tax assets recognised in the statement of financial position	**1,106**	933	**–**	–
Net deferred tax liabilities recognised in the statement of financial position	**(1,150)**	(1,131)	**(329)**	(823)
	(44)	(198)	**(329)**	(823)

29 Borrowings

The Group's and the Company's short-term borrowings comprise:

	The Group		The Company	
	2012 RMB million	*2011 RMB million (restated- Note 19(b))*	**2012 RMB million**	*2011 RMB million*
Borrowings from banks and other financial institutions	**21,844**	5,011	**19,090**	–
Current portion of long-term borrowings	**6,249**	11,478	**1,018**	2,160
	28,093	16,489	**20,108**	2,160

The Group's short-term borrowings are unsecured and bear interest at rates ranging from 4.88% to 7.54% per annum (2011: 4.37% to 8.20% per annum as restated).

29 Borrowings (continued)

The Group's and the Company's long-term borrowings comprise:

		The Group		The Company	
		2012 RMB million	2011 RMB million (restated- Note 19(b))	**2012 RMB million**	2011 RMB million
Loans from banks and other financial institutions *					
Renminbi denominated	Interest rates ranging from 3.60% to 6.99% per annum with maturities through 3 February 2028	**39,209**	49,330	**1,704**	4,630
United States Dollars denominated	Interest rates ranging from L+1.00% to L+4.30% per annum with maturities through 22 June 2023	**2,028**	2,171	**–**	–
Japanese Yen denominated	Interest rates ranging from 1.80% to 2.60% per annum with maturities through 20 March 2031	**4,468**	5,420	**4,286**	5,117
Euro denominated	Interest rate at 2.50% per annum with maturities through 22 June 2017	**168**	–	**–**	–
		45,873	56,921	**5,990**	9,747
Less: current portion of long-term borrowings		**(6,249)**	(11,478)	**(1,018)**	(2,160)
		39,624	45,443	**4,972**	7,587

* At 31 December 2012, the Group and the Company had entrusted loans from Shenhua Group and its affiliates amounting to RMB613 million (2011: RMB2,243 million as restated) and Nil (2011: RMB1,800 million) respectively.

29 Borrowings (continued)

The long-term borrowings were repayable as follows:

	The Group		The Company	
	2012 RMB million	2011 RMB million (restated- Note 19(b))	**2012 RMB million**	2011 RMB million
Within one year	**6,249**	11,478	**1,018**	2,160
After one year but within two years	**8,882**	7,328	**788**	1,199
After two years but within five years	**10,607**	15,280	**1,045**	2,465
After five years	**20,135**	22,835	**3,139**	3,923
	45,873	56,921	**5,990**	9,747

At 31 December 2012, the long-term borrowings were secured as follows:

	The Group		The Company	
	2012 RMB million	2011 RMB million (restated- Note 19(b))	**2012 RMB million**	2011 RMB million
Secured	**2,085**	369	**–**	–
Unsecured	**43,788**	56,552	**5,990**	9,747
	45,873	56,921	**5,990**	9,747

Certain borrowings are secured over certain property, plant and equipment with a carrying value of RMB2,554 million (2011: RMB775 million as restated) (see Note 16).

Included in borrowings are the following amounts (expressed in RMB) denominated in foreign currency:

	The Group		The Company	
	2012 RMB million	2011 RMB million (restated- Note 19(b))	**2012 RMB million**	2011 RMB million
United States Dollars	**2,058**	2,234	**–**	–
Australian Dollars	**131**	385	**–**	–
Japanese Yen	**4,468**	5,420	**4,286**	5,117
Euros	**168**	–	**–**	–

The Group had unsecured banking facilities amounting to RMB85,403 million as at 31 December 2012 (2011: RMB68,105 million as restated). As at 31 December 2012, the unutilised banking facilities amounted to RMB42,461 million (2011: RMB30,111 million as restated). Such banking facilities would be drawn down in accordance with the level of working capital and planned capital expenditure of the Company and its subsidiaries.

30 Accounts and bills payable

	The Group		The Company	
	2012 RMB million	2011 RMB million (restated- Note 19(b))	**2012 RMB million**	2011 RMB million
Accounts payable				
Shenhua Group and its affiliates	**1,067**	385	**69**	48
Associates	**251**	482	**222**	391
Subsidiaries	**–**	–	**1,154**	215
Third parties	**29,231**	22,832	**7,506**	8,848
	30,549	23,699	**8,951**	9,502
Bills payable	**523**	64	**–**	–
	31,072	23,763	**8,951**	9,502

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

At 31 December 2012 and 2011, the Group and the Company had no significant amount of accounts and bills payable aged (based on the invoice date) over one year.

Included in accounts and bills payable are the following amounts (expressed in RMB) denominated in foreign currency:

	The Group		The Company	
	2012 RMB million	2011 RMB million (restated- Note 19(b))	**2012 RMB million**	2011 RMB million
United States Dollars	**664**	384	**457**	284
Euros	**13**	37	**13**	37
Australian Dollars	**21**	64	**–**	–
Hong Kong Dollars	**3**	4	**–**	–

31 Accrued expenses and other payables

	The Group		The Company	
	2012 RMB million	*2011 RMB million (restated- Note 19(b))*	**2012 RMB million**	*2011 RMB million*
Accrued staff wages and welfare benefits	**3,908**	3,705	**2,130**	2,206
Financial liability for share appreciation rights	**–**	2	**–**	2
Accrued interest payable	**367**	257	**65**	123
Taxes payable other than income tax	**6,137**	4,626	**2,362**	2,412
Dividends payable	**2,510**	2,405	**–**	–
Receipts in advances	**4,569**	4,864	**68**	74
Consideration payable for the acquisitions	**–**	2,473	**–**	1,614
Deposits from Shenhua Group and its affiliates (Note (i))	**18,944**	15,608	**–**	–
Amounts due to subsidiaries (Note (ii))	**–**	–	**69,104**	84,341
Other accrued expenses and payables	**4,988**	5,346	**1,776**	2,259
	41,423	39,286	**75,505**	93,031

Notes:

(i) At 31 December 2012, deposits from Shenhua Group and its affiliates bore interest at rates ranging from 0.39% to 1.53% per annum (2011: 0.40% to 1.49% per annum as restated).

(ii) Amounts due to subsidiaries amounting to RMB67,201 million (2011: RMB82,031 million) are unsecured, bearing interest at 1.15% per annum (2011: 1.31% per annum) and repayable on demand. The remaining balances are unsecured, interest-free and have no fixed terms of repayment.

(iii) Accrued expenses and other payables of the Group and the Company include:

	The Group		The Company	
	2012 RMB million	*2011 RMB million (restated- Note 19(b))*	**2012 RMB million**	*2011 RMB million*
Amounts due to Shenhua Group and its affiliates	**858**	2,612	**2**	1,752
Amounts due to associates	**8**	39	**6**	1
	866	2,651	**8**	1,753

The above balances are unsecured, interest-free and no fixed terms of repayment.

32 Long-term payables

Long-term payables mainly represent payables for acquisition of mining rights which are to be settled over the period of production or under fixed payment schedules set out in the contracts on an annual basis. The annual payment is determined by fixed rates on a per tonne basis with reference to the annual production volume of the acquired mines or annual fixed amounts stipulated in the acquisition agreements.

33 Accrued reclamation obligations

The accrual for reclamation costs has been determined based on management's best estimates. However, so far as the effect on the land from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change in the near term. The Company's board of directors believes that the accrued reclamation obligations at 31 December 2012 are adequate and appropriate. The accrual is necessarily based on estimates and therefore, the ultimate liability may exceed or be less than such estimates.

	The Group		***The Company***	
	2012 RMB million	*2011 RMB million (restated-Note 19(b))*	***2012 RMB million***	*2011 RMB million*
At the beginning of the year	**1,724**	1,702	**940**	1,060
Addition	**105**	112	**–**	14
Accretion expense	**124**	112	**64**	65
Decrease	**(32)**	(202)	**(16)**	(199)
At the end of the year	**1,921**	1,724	**988**	940

34 Share capital

	2012 RMB million	*2011 RMB million*
Registered, issued and fully paid:		
16,491,037,955 domestic listed A shares of RMB1.00 each	**16,491**	16,491
3,398,582,500 H shares of RMB1.00 each	**3,399**	3,399
	19,890	19,890

The Company was incorporated on 8 November 2004 with a registered share capital of 15,000,000,000 domestic state-owned ordinary shares with a par value of RMB1.00 each. Such shares were issued to Shenhua Group in consideration for the assets and liabilities transferred from Shenhua Group.

34 Share capital (continued)

In 2005, the Company issued 3,089,620,455 H shares with a par value of RMB1.00 each, at a price of HKD7.50 per H share by way of a global initial public offering. In addition, 308,962,045 domestic state-owned ordinary shares of RMB1.00 each owned by Shenhua Group were converted into H shares.

In 2007, the Company issued 1,800,000,000 A shares with a par value of RMB1.00 each at a price of RMB36.99 per A share in the PRC ("A Shares Issue").

Pursuant to CaiQi [2009] No.94 "Policy regarding transfer of certain state-owned shares to Social Security Fund in domestic securities market" and Pronouncement of 2009 No.63 "Notice of implementation of transfer of state-owned shares in domestic securities market" issued by the relevant government authorities on 19 June 2009, 180,000,000 A shares of the Company previously held by Shenhua Group have been transferred to the National Council for Social Security Fund.

All A shares and H shares rank pari passu in all material aspects.

35 Commitments and contingent liabilities

(a) Capital commitments

As at 31 December 2012, the Group and the Company had capital commitments for land and buildings, equipment and investments as follows:

	The Group		***The Company***	
	2012 RMB million	*2011 RMB million (restated- Note 19(b))*	***2012 RMB million***	*2011 RMB million*
Authorised and contracted for				
– Land and buildings	**31,127**	21,231	**3,962**	6,960
– Machinery and others	**32,399**	20,351	**5,108**	6,729
– Others	**44**	88	**44**	88
	63,570	41,670	**9,114**	13,777
Authorised but not contracted for				
– Land and buildings	**193,727**	192,565	**26,168**	65,833
– Machinery and others	**97,109**	163,281	**26,154**	90,611
– Others	**21,561**	–	**–**	–
	312,397	355,846	**52,322**	156,444
	375,967	397,516	**61,436**	170,221

35 Commitments and contingent liabilities (continued)

(b) Operating lease commitments

Operating lease commitments mainly represent business premises leased through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. As at 31 December 2012, 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	
	2012 RMB million	*2011 RMB million (restated- Note 19(b))*	**2012 RMB million**	*2011 RMB million*
Within one year	**90**	78	**60**	53
After one year but within five years	**72**	51	**41**	10
After five years	**56**	59	**12**	33
	218	188	**113**	96

(c) Financial guarantees issued

(i) The Group

At 31 December 2012, the Group had issued guarantees in respect of certain banking facilities granted to an entity which the Group held less than 20% equity interest and a related party of the Group. The maximum amounts guaranteed were RMB207 million and RMB68 million respectively (2011: RMB207 million and Nil as restated).

(ii) The Company

At 31 December 2012, the maximum liability of the Company under guarantees issued in respect of bank loans drawn by a domestic subsidiary of the Company was RMB366 million (2011: RMB536 million).

In addition, the Company has issued a guarantee of USD232 million, approximately RMB1,456 million (2011: USD232 million, approximately RMB1,460 million) to a bank in respect of a 70% owned overseas subsidiary of the Company. Under the guarantee arrangement, the bank provides guarantee to a group of financial institutions for the subsidiary. In addition, the subsidiary provides a counter guarantee to the Company secured by certain of its assets.

35 Commitments and contingent liabilities (continued)

(d) Legal contingencies

The Group is the defendant in certain lawsuits as well as the plaintiff in other proceedings arising in the ordinary course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, management believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

(e) Environmental contingencies

To date, the Group has not incurred any significant expenditures for environmental remediation, is currently not involved in any environmental remediation, and apart from the provision for land reclamation costs, has not accrued any further amounts for environmental remediation relating to its operations. Under the existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The regulatory bodies, however, have moved, and may move further towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination at various sites including, but not limited to coal mines and land development areas, whether operating, closed or sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under future environmental legislation cannot reasonably be estimated at present, and could be material.

36 Related party transactions

(a) Transactions with Shenhua Group and its affiliates, and associates of the Group

The Group is controlled by Shenhua Group and has significant transactions and relationships with Shenhua Group and its affiliates. Related parties refer to enterprises over which Shenhua Group is able to exercise significant influence or control. The Group also has entered into transactions with its associates, over which the Group can exercise significant influence. Because of the above relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

36 Related party transactions (continued)

(a) Transactions with Shenhua Group and its affiliates, and associates of the Group (continued)

(1) The Group had the following transactions with Shenhua Group and its affiliates, and associates of the Group that were carried out in the normal course of business:

		2012 RMB million	*2011 RMB million (restated- Note 19(b))*
Interest income	(i)	**526**	423
Income from entrusted loans	(ii)	**51**	49
Interest expense	(iii)	**367**	272
Purchases of ancillary materials and spare parts	(iv)	**1,894**	1,612
Ancillary and social services	(v)	**242**	269
Transportation service income	(vi)	**461**	487
Transportation service expense	(vii)	**24**	58
Sale of coal	(viii)	**5,726**	3,897
Purchase of coal	(ix)	**4,175**	2,557
Property leasing	(x)	**42**	21
Repairs and maintenance services expense	(xi)	**37**	15
Coal export agency expense	(xii)	**20**	33
Purchase of equipment and construction work	(xiii)	**1,787**	3,218
Other income	(xiv)	**3,180**	1,277
Granting of loans from Shenhua Finance	(xv)	**12,763**	13,445
Repayment of loans to Shenhua Finance	(xvi)	**12,733**	12,509
Granting of loan	(xvii)	**–**	100
Repayment of loan	(xviii)	**30**	122
Receipt of deposits by Shenhua Finance	(xix)	**3,336**	2,517

(i) Interest income represents interest earned from loans to Shenhua Group and its affiliates. The applicable interest rate is determined in accordance with the prevailing borrowing rates published by the PBOC.

(ii) Income from entrusted loans represents interest earned from entrusted loans to an associate of the Group. The applicable interest rate is determined in accordance with the prevailing bank interest rates published by the PBOC.

(iii) Interest expense represents interest incurred from deposits placed and loans from Shenhua Group and its affiliates. The applicable interest rate is determined in accordance with the prevailing interest rates published by the PBOC.

(iv) Purchases of ancillary materials and spare parts represent purchase of materials and utility supplies from affiliates of Shenhua Group and an associate of the Group related to the Group's operations.

36 Related party transactions (continued)

(a) Transactions with Shenhua Group and its affiliates, and associates of the Group (continued)

(1) The Group had the following transactions with Shenhua Group and its affiliates, and associates of the Group that were carried out in the normal course of business: (continued)

(v) Ancillary and social services represent expenditures for social welfare and support services such as property management, water and electricity supply, and canteen expense paid to affiliates of Shenhua Group and associates of the Group.

(vi) Transportation service income represents income earned from affiliates of Shenhua Group in respect of coal transportation services.

(vii) Transportation service expense represents expense related to coal transportation service provided by an affiliate of Shenhua Group and an associate of the Group.

(viii) Sale of coal represents income from sale of coal to affiliates of Shenhua Group.

(ix) Purchase of coal represents coal purchased from affiliates of Shenhua Group and an associate of the Group.

(x) Property leasing represents rental paid or payable in respect of properties leased from affiliates of Shenhua Group and an associate of the Group.

(xi) Repairs and maintenance services expense represents expense related to machinery repairs and maintenance services provided by affiliates of Shenhua Group and an associate of the Group.

(xii) Coal export agency expense represents expense related to coal export agency services provided by an affiliate of Shenhua Group.

(xiii) Purchase of equipment and construction work represents expenditure related to equipment and construction service provided by affiliates of Shenhua Group and an associate of the Group.

(xiv) 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.

(xv) Granting of loans from Shenhua Finance represents loans granted by Shenhua Finance to affiliates of Shenhua Group.

(xvi) Repayment of loans to Shenhua Finance represents loans repaid by affiliates of Shenhua Group to Shenhua Finance.

(xvii) Granting of loan represents loan granted to an associate of the Group.

(xviii) Repayment of loan represents loans repaid by an associate of the Group.

(xix) Receipt of deposits by Shenhua Finance represents net deposits received by Shenhua Finance from Shenhua Group and its affiliates.

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business, on normal commercial terms and in accordance with the agreements governing such transactions.

36 Related party transactions (continued)

(a) Transactions with Shenhua Group and its affiliates, and associates of the Group (continued)

(2) The Group entered into a number of agreements with Shenhua Group and its affiliates, and associates of the Group. The terms of the principal agreements are summarised as follows:

(i) The Group has entered into a mutual supply agreement for the mutual provision of production supplies and ancillary services with affiliates of Shenhua Group. Pursuant to the agreement, affiliates of Shenhua Group provides the Company with the production supplies and services, ancillary production services including the use of the information network system and ancillary administrative services. On the other hand, the Company provides the affiliates of Shenhua Group with water supplies, rolling stock management, railway management, railway transportation and other related or similar production supplies or services and use of the information network system.

The products and services provided under the agreement, other than the sharing of use of the information network system which is free of charge, are provided in accordance with the following pricing policy:

- price prescribed by the state (including any price prescribed by any relevant local government), if applicable;
- where there is no state-prescribed price but where there is a state-guidance price, then the state-guidance price;
- where there is neither a state-prescribed price nor a state-guidance price, the market price; or
- where none of the above is applicable or where it is not practical to apply the above pricing policies in reality, the price to be agreed between the relevant parties shall be based on reasonable costs incurred in providing the goods or services plus a profit margin of 5% of such costs.

(ii) The Group has entered into coal supply agreements with affiliates of Shenhua Group and associates of the Group. The coal supplied is charged at the prevailing market price.

(iii) The Group, through Shenhua Finance, has entered into a financial services agreement with Shenhua Group and its affiliates. Pursuant to the agreement, Shenhua Finance provides financial services to Shenhua Group and its affiliates. The interest rate for the deposits with Shenhua Finance from Shenhua Group and its affiliates should not be lower than the lowest limit published by the PBOC for the same type of deposit. The interest rate for loans made by Shenhua Finance to Shenhua Group and its affiliates should not be higher than the highest limit published by the PBOC for the same type of loan. The above interest rates should be determined by reference to the rate charged by normal commercial banks in the PRC for comparable deposits and loans on normal commercial terms. The fees charged by Shenhua Finance for the provision of other financial services shall be determined according to the rates chargeable by the PBOC or the China Banking Regulatory Commission.

36 Related party transactions (continued)

(a) Transactions with Shenhua Group and its affiliates, and associates of the Group (continued)

(2) The Group entered into a number of agreements with Shenhua Group and its affiliates, and associates of the Group. The terms of the principal agreements are summarised as follows: (continued)

(iv) The Group has entered into a property leasing agreement with affiliates of Shenhua Group for leasing of certain properties to each other. No rent is payable by the Company before the affiliates of Shenhua Group obtains the relevant property ownership certificate. The rental charges are based on comparable market rates. If the affiliates of Shenhua Group negotiate to sell a leased property to a third party, the Company has a pre-emptive right to purchase such property under terms no less favourable than other third party.

(v) The Group has entered into a land leasing agreement with affiliates of Shenhua Group. The annual rent is determined based on the local market rate. The Group is not allowed to sub-let the leased land.

(vi) The Group has entered into an agency agreement for the export of coal with an affiliate of Shenhua Group. The affiliate of Shenhua Group is appointed as a non-exclusive export agent of the Company and is entitled to receive an agency fee based on the relevant market rates or lower rates. Currently, the rate is 0.7% of the free on board sales price of price of coal exported.

(vii) The Group has entered into an agency agreement for the sale of coal with affiliates of Shenhua Group. The Group is appointed as the exclusive sales agent of affiliates of Shenhua Group for thermal coal and non-exclusive sales agent for coking coal. The Group is entitled to receive an agency fee, which is based on its related costs incurred plus a profit margin of 5% for sales of coal outside the Inner Mongolia Autonomous Region. No agency fee is charged for sales of coal within the Inner Mongolia Autonomous Region.

(viii) The Group has entered into agreements with affiliates of Shenhua Group under which the Group has been granted the right to use certain trademarks. Affiliates of Shenhua Group bear its own cost for the registration of such trademarks during the term of the trademarks license agreement and expenses for enforcement against any infringement of the licensed trademarks by third parties.

(3) Except for the transactions with associates of the Group, all the above transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

36 Related party transactions (continued)

(a) Transactions with Shenhua Group and its affiliates, and associates of the Group (continued)

Amounts due from/to Shenhua Group and its affiliates, and associates of the Group:

	Note	**2012 RMB million**	2011 RMB million (restated-Note 19(b))
Accounts and bills receivable, net	25	**1,233**	693
Prepaid expenses and other current assets	26	**6,048**	5,806
Other non-current assets	22	**3,240**	3,388
		10,521	9,887
Less: allowance for doubtful debts		**(230)**	(208)
Total amounts due from Shenhua Group and its affiliates, and associates of the Group, net		**10,291**	9,679
Borrowings	29	**613**	2,243
Accounts and bills payable	30	**1,318**	867
Accrued expenses and other payables	31	**19,810**	18,259
Total amounts due to Shenhua Group and its affiliates, and associates of the Group		**21,741**	21,369

Other than those disclosed in Notes 36(a)(1)(i), 36(a)(1)(ii) and 36(a)(1)(iii) above, amounts due from/to Shenhua Group and its affiliates, and associates of the Group bear no interest, are unsecured and are repayable in accordance with normal commercial terms.

The Group acquired a subsidiary during the year ended 31 December 2012. That subsidiary had issued guarantee in respect of certain banking facility granted to a related party of the Group. The maximum amount guaranteed was RMB68 million (see Note 35(c)(i)).

(b) Key management personnel emoluments

Key management personnel receive compensation in the form of fees, basic salaries, housing and other allowances, benefits in kind, discretionary bonuses, share appreciation rights and retirement scheme contributions.

Key management personnel compensation of the Group is summarised as follows:

	2012 RMB million	2011 RMB million
Short-term employee benefits	**9**	9
Post-employment benefits	**1**	1
	10	10
Fair value gain on revaluation of share appreciation rights	**(1)**	(30)

Total remuneration is included in "personnel expenses" as disclosed in Note 7.

36 Related party transactions (continued)

(c) Contributions to post-employment benefit plans

The Group participates in various defined contribution post-employment benefit plans organised by municipal and provincial governments for its employees. Further details of the Group's post-employment benefit plans are disclosed in Note 37.

(d) Transactions with other state-controlled entities in the PRC

The Company is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government ("state-controlled entities") through its government authorities, agencies, affiliations and other organisations.

Other than those transactions with Shenhua Group and its affiliates, and associates of the Group as disclosed above, the Group conducts certain business activities with other state-controlled entities which include but are not limited to the following:

– Power sales;
– Sales and purchases of coal;
– Transportation services;
– Construction work;
– Purchases of ancillary materials and spare parts;
– Ancillary and social services; and
– Financial services arrangements.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled. The Group has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are state-controlled entities or not.

Having considered the potential for transactions to be impacted by related party relationships, the Group's buying, pricing strategy and approval processes, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the directors are of the opinion that the following transactions with other state-controlled entities require disclosure:

(i) Transactions with other state-controlled entities, including state-controlled banks in the PRC

	2012 RMB million	*2011 RMB million (restated- Note 19(b))*
Coal revenue	**89,726**	92,257
Power revenue	**69,156**	60,112
Transportation costs	**13,261**	14,107
Interest income	**750**	978
Interest expenses	**2,757**	2,748

36 Related party transactions (continued)

(d) Transactions with other state-controlled entities in the PRC (continued)

(ii) Balances with other state-controlled entities, including state-controlled banks in the PRC

	2012 RMB million	*2011 RMB million (restated-Note 19(b))*
Accounts receivable	**15,394**	8,241
Cash and time deposits at banks	**55,347**	65,107
Restricted bank deposits	**6,068**	4,100
Borrowings	**65,648**	58,229

37 Employee benefits plan

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at 20% of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above. The Group's contributions for the year ended 31 December 2012 were RMB2,105 million (2011: RMB1,595 million as restated).

On 19 November 2005, the Company's Board of Directors approved a scheme of share appreciation rights for the senior management of the Group with a term of 10 years with effect from 15 June 2005. No shares will be issued under this scheme. The rights were granted in units with each unit representing one H share of the Company.

The rights to the units will have an exercise period of six years from the date of grant and can be exercised after the second, third and fourth anniversary of the date of grant and the total number of the rights exercised by an individual may not in aggregate exceed one-third, two-thirds and 100% respectively, of the total rights granted to the individual.

Upon exercise of the said rights, the exercising participant will, subject to the restrictions under the scheme, receive a payment in RMB, after deducting any applicable withholding tax, equal to the product of the number of rights exercised and the difference between the exercise price and market price of the H shares of the Company at the time of exercise. The exercise price of granted share appreciation rights as approved by the Board of Directors outstanding as at 31 December 2012 is HKD33.80 (2011: HKD11.80 or HKD33.80) depending on the grant date.

(Expressed in Renminbi)

37 Employee benefits plan (continued)

The number of granted share appreciation rights outstanding is set out below:

	***2012* Million shares**	*2011* Million shares
At the beginning of the year	**2.0**	5.9
Exercised during the year	**(0.3)**	(0.7)
Forfeited during the year	**(0.2)**	(3.2)
At the end of the year	**1.5**	2.0

38 Segment and other information

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments. No operating segments have been aggregated to form the following reportable segments.

(1) Coal operations – which produces coal from surface and underground mines, and the sale of coal to external customers and the power segment. The Group sells its coal under long-term coal supply contracts and at spot market. The long-term coal supply contracts typically allow the parties to make annual price adjustments.

(2) Power operations – which uses coal, sourced from the coal mining segment and purchased from external suppliers, to generate electric power for sale to external power grid companies and to the coal mining segment. Electric power is sold to the power grid companies in accordance with planned power output at the tariff rates as approved by the relevant government authorities. Electric power produced in excess of the planned power output is sold at the tariff rates as agreed upon with the respective power grid companies which are generally lower than the tariff rates for planned power output.

(3) Railway operations – which provides railway transportation services to the coal mining segment and external customers. The rates of freight charges billed to the coal mining segment and external customers are consistent and do not exceed the maximum amounts approved by the relevant government authorities.

(4) Port operations – which provides loading, transportation and storage services to the coal mining segment and external customers. The Group charges service fees and other expenses, which are reviewed and approved by the relevant government authorities.

(5) Shipping operations – which provides shipment transportation services to the power segment, the coal mining segment and external customers. The rates of freight charges billed to the power segment, the coal mining segment and external customers are consistent.

38 Segment and other information (continued)

(a) Segment results

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

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

	Coal		Power		Railway		Port		Shipping		Total	
	2012 RMB million	2011 RMB million (restated- Note 19(b))	**2012 RMB million**	2011 RMB million (restated- Note 19(b))	**2012 RMB million**	2011 RMB million (restated- Note 19(b))	**2012 RMB million**	2011 RMB million (restated- Note 19(b))	**2012 RMB million**	2011 RMB million (restated- Note 19(b))	**2012 RMB million**	2011 RMB million (restated- Note 19(b))
Revenue from external customers	**171,964**	140,884	**71,776**	61,724	**3,060**	2,745	**124**	147	**2,609**	2,961	**249,533**	208,461
Inter-segment revenue	**34,851**	31,596	**487**	399	**21,946**	20,181	**2,918**	2,673	**1,711**	2,138	**61,913**	56,987
Reportable segment revenue	**206,815**	172,480	**72,263**	62,123	**25,006**	22,926	**3,042**	2,820	**4,320**	5,099	**311,446**	265,448
Reportable segment profit before income tax	**45,000**	46,593	**10,837**	8,329	**10,427**	9,626	**703**	520	**666**	670	**67,633**	65,738
Including:												
Net interest expense	**(484)**	(504)	**(2,557)**	(2,392)	**(314)**	(345)	**(173)**	(231)	**(22)**	(22)	**(3,550)**	(3,494)
Depreciation and amortisation	**(7,017)**	(6,486)	**(7,987)**	(6,414)	**(2,293)**	(2,108)	**(685)**	(676)	**(95)**	(85)	**(18,077)**	(15,769)
Share of profits less losses of associates	**235**	199	**208**	114	**-**	–	**7**	6	**-**	–	**450**	319

38 Segment and other information (continued)

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

	2012 RMB million	2011 RMB million (restated- Note 19(b))
Revenues		
Reportable segment revenue	**311,446**	265,448
Elimination of inter-segment revenue	**(61,913)**	(56,987)
Unallocated head office and corporate items	**727**	764
Consolidated revenues	**250,260**	209,225
Profit		
Reportable segment profit	**67,633**	65,738
Elimination of inter-segment profits	**(419)**	(298)
Unallocated head office and corporate items	**797**	1,409
Consolidated profit before income tax	**68,011**	66,849

(c) Geographical information

The following table sets out information about geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, construction in progress, intangible assets, interest in associates, other long-term equity investments, other non-current assets and lease prepayments ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, construction in progress and lease prepayments, and the location of operations, in the case of intangible assets, other long-term equity investments, other non-current assets and interest in associates.

	Revenue from external customers		***Specified non-current assets***	
	2012 RMB million	2011 RMB million (restated- Note 19(b))	**2012 RMB million**	2011 RMB million (restated- Note 19(b))
Asia Pacific markets				
– PRC (place of domicile)	**247,805**	205,719	**338,542**	291,228
– Other Asia Pacific markets	**2,455**	3,506	**6,359**	5,820
	250,260	209,225	**344,901**	297,048

For the purpose of revenues from external customers, other Asia Pacific markets represent customers which are located outside the PRC and primarily to customers in Korea and Japan.

38 Segment and other information (continued)

(d) Major customer

Revenue from any individual customer of the Group does not exceed 10% of the Group's total operating revenues. Certain of the Group's customers are state-controlled entities in the PRC and collectively considered as the Group's major customer. Revenue from major customer of the Group's coal and power segments represents RMB158,882 million (2011: RMB152,369 million as restated) of the Group's total operating revenues.

(e) Other information

Certain other information of the Group's segments for the years ended 31 December 2012 and 2011 is set out below:

	Coal		Power		Railway		Port		Shipping		Unallocated items		Eliminations		Total	
	2012 RMB million	2011 RMB million (restated- Note 19(b))	**2012 RMB million**	2011 RMB million (restated- Note 19(b))	**2012 RMB million**	2011 RMB million (restated- Note 19(b))	**2012 RMB million**	2011 RMB million (restated- Note 19(b))	**2012 RMB million**	2011 RMB million (restated- Note 19(b))	**2012 RMB million**	2011 RMB million (restated- Note 19(b))	**2012 RMB million**	2011 RMB million (restated- Note 19(b))	**2012 RMB million**	2011 RMB million (restated- Note 19(b))
Coal purchased	**69,685**	45,904	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**69,685**	45,904
Cost of coal production	**39,939**	33,500	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**(12,633)**	(10,963)	**27,306**	22,537
Cost of coal transportation	**37,428**	35,824	**-**	–	**11,548**	10,263	**1,769**	1,726	**1,464**	1,835	**-**	–	**(36,766)**	(32,470)	**15,443**	17,178
Power cost	**-**	–	**56,025**	48,518	**-**	–	**-**	–	**-**	–	**-**	–	**(12,510)**	(13,286)	**43,515**	35,232
Others	**6,981**	2,909	**558**	590	**1,946**	1,639	**87**	107	**2,233**	2,542	**-**	–	**-**	–	**11,805**	7,787
Total cost of revenues	**154,033**	118,137	**56,583**	49,108	**13,494**	11,902	**1,856**	1,833	**3,697**	4,377	**-**	–	**(61,909)**	(56,719)	**167,754**	128,638
Profit from operations	**45,020**	46,802	**13,057**	10,513	**10,232**	9,896	**833**	729	**676**	681	**29**	412	**(243)**	(327)	**69,604**	68,706
Capital expenditure (Note (i))	**13,896**	16,034	**6,535**	6,673	**24,186**	11,816	**4,359**	2,386	**1,302**	1,106	**380**	344	**-**	–	**50,658**	38,359
Total assets (Note (ii))	**259,595**	212,128	**153,240**	143,498	**83,411**	65,447	**16,442**	12,930	**5,394**	4,101	**291,291**	266,833	**(352,006)**	(298,430)	**457,367**	406,507
Total liabilities (Note (ii))	**(124,916)**	(107,495)	**(99,668)**	(92,691)	**(43,349)**	(33,074)	**(8,161)**	(6,386)	**(1,082)**	(742)	**(170,639)**	(137,244)	**297,005**	239,239	**(150,810)**	(138,393)

Notes:

(i) Segment capital expenditure is the total cost incurred during the year to acquire and construct segment assets that are expected to be used for more than one year.

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

39 Capital and reserves

(a) Shareholders' equity of the Company

	Share capital RMB million (Note 34)	Share premium RMB million	Statutory reserves RMB million	Capital and other reserves RMB million	Retained earnings RMB million	Total RMB million
At 1 January 2011	19,890	85,001	14,137	670	48,428	168,126
Total comprehensive income:						
Profit for the year	–	–	–	–	22,689	22,689
Total comprehensive income for the year	–	–	–	–	22,689	22,689
Other movements:						
Dividend declared (Note 14(b))	–	–	–	–	(14,917)	(14,917)
Appropriation of maintenance and production funds (Note)	–	–	3,015	–	(3,015)	–
Utilisation of maintenance and production funds (Note)	–	–	(2,253)	–	2,253	–
Adjustment of consideration for the 2011 Acquisitions (Note 19(c))	–	–	–	(4,461)	–	(4,461)
Sub-total	–	–	762	(4,461)	(15,679)	(19,378)
At 31 December 2011	19,890	85,001	14,899	(3,791)	55,438	171,437
At 1 January 2012	**19,890**	**85,001**	**14,899**	**(3,791)**	**55,438**	**171,437**
Total comprehensive income:						
Profit for the year	**–**	**–**	**–**	**–**	**17,832**	**17,832**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**17,832**	**17,832**
Other movements:						
Dividend declared (Note 14(b))	**–**	**–**	**–**	**–**	**(17,901)**	**(17,901)**
Appropriation of maintenance and production funds (Note)	**–**	**–**	**3,207**	**–**	**(3,207)**	**–**
Utilisation of maintenance and production funds (Note)	**–**	**–**	**(2,854)**	**–**	**2,854**	**–**
Adjustment of consideration for the 2012 Acquisitions (Note 19(b))	**–**	**–**	**–**	**(242)**	**–**	**(242)**
Sub-total	**–**	**–**	**353**	**(242)**	**(18,254)**	**(18,143)**
At 31 December 2012	**19,890**	**85,001**	**15,252**	**(4,033)**	**55,016**	**171,126**

Note: Please refer to Note (iii) to consolidated statement of changes in equity for details.

39 Capital and reserves (continued)

(a) Shareholders' equity of the Company (continued)

According to the Company's Articles of Association, the amount of retained earnings available for distribution to equity shareholders of the Company is the lower of the amount determined in accordance with the China Accounting Standards and the amount determined in accordance with IFRSs after the appropriation to reserves as detailed in Note (iii) to the consolidated statement of changes in equity.

At 31 December 2012, the aggregate amount of retained earnings determined in accordance with the China Accounting Standards available for distribution to equity shareholders of the Company was RMB50,884 million (2011: RMB51,854 million). After the end of the reporting period, the directors proposed a final dividend of RMB0.96 per share (2011: RMB0.90 per share), amounting to RMB19,094 million (2011: RMB17,901 million) (Note 14(a)). This dividend has not been recognised as a liability at the end of the reporting period.

(b) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares to reduce debts.

The Group monitors capital using a gearing ratio which is total liabilities divided by total assets. The Group aims to maintain the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2012 was 33% (2011: 34% as restated).

There were no changes in the Group's approach to capital management compared with previous years. Neither the Company nor any of its subsidiaries have significant borrowings that are subject to externally imposed capital requirements.

40 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

40 Financial risk management and fair values (continued)

(a) Credit risk

The carrying amounts of cash and cash equivalents, time deposits, restricted bank deposits, accounts and bills receivable, other receivables and other non-current assets represent the Group's maximum exposure to credit risk in relation to these financial assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Substantially all of the Group's cash and cash equivalents and deposits are held in major financial institutions located in the PRC, which management believes are of high credit quality. The Group's major customers are power plants, metallurgical companies and power grid companies, which accounted for significant amounts of the Group's total operating revenues during the year. The Group has no significant credit risk with any of these customers since the Group maintains long-term and stable business relationships with these large customers in the coal and power industries. The Group performs ongoing individual credit evaluations of its customers' financial condition and generally does not require collateral on accounts receivable. The allowance for doubtful debts has been within management's expectations.

Except for the financial guarantees given by the Group as set out in Note 35(c), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 35(c).

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from accounts and bills receivable are set out in Note 25.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Group's reputation.

The Group closely monitors cash flow requirements and optimising its cash return. The Group prepares cash flow forecasts and ensures it has sufficient cash for the servicing of operation, financial, and capital obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

40 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

The following table details the remaining contractual maturities at the end of the reporting period of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

The Group

	2012					
	Carrying amount RMB million	**Total contractual undiscounted cash flow RMB million**	**Within 1 year or on demand RMB million**	**More than 1 year but less than 2 years RMB million**	**More than 2 years but less than 5 years RMB million**	**More than 5 years RMB million**
Borrowings	**67,717**	**78,179**	**31,408**	**11,020**	**14,884**	**20,867**
Accounts and bills payable, accrued expenses and other payables	**61,789**	**61,789**	**61,715**	**45**	**29**	**–**
	129,506	**139,968**	**93,123**	**11,065**	**14,913**	**20,867**
Financial guarantees issued: Maximum amount guaranteed (Note 35(c))	**–**	**275**				

The Group

	2011					
	Carrying amount RMB million (restated– Note 19(b))	*Total contractual undiscounted cash flow RMB million* (restated– Note 19(b))	*Within 1 year or on demand RMB million* (restated– Note 19(b))	*More than 1 year but less than 2 years RMB million* (restated– Note 19(b))	*More than 2 years but less than 5 years RMB million* (restated– Note 19(b))	*More than 5 years RMB million* (restated– Note 19(b))
Borrowings	61,932	73,981	19,737	9,647	20,147	24,450
Accounts and bills payable, accrued expenses and other payables	53,559	53,559	53,503	47	9	–
	115,491	127,540	73,240	9,694	20,156	24,450
Financial guarantees issued: Maximum amount guaranteed (Note 35(c))	–	207				

40 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

The Company

	2012					
	Carrying amount RMB million	Total contractual undiscounted cash flow RMB million	Within 1 year or on demand RMB million	More than 1 year but less than 2 years RMB million	More than 2 years but less than 5 years RMB million	More than 5 years RMB million
Borrowings	**25,080**	**26,596**	**21,085**	**933**	**1,354**	**3,224**
Accounts and bills payable, accrued expenses and other payables	**82,026**	**82,026**	**82,026**	**–**	**–**	**–**
	107,106	**108,622**	**103,111**	**933**	**1,354**	**3,224**
Financial guarantees issued: Maximum amount guaranteed (Note 35(c))	**–**	**1,822**				

The Company

	2011					
	Carrying amount RMB million	Total contractual undiscounted cash flow RMB million	Within 1 year or on demand RMB million	More than 1 year but less than 2 years RMB million	More than 2 years but less than 5 years RMB million	More than 5 years RMB million
Borrowings	9,747	11,183	2,428	1,414	2,937	4,404
Accounts and bills payable, accrued expenses and other payables	100,047	100,047	100,047	–	–	–
	109,794	111,230	102,475	1,414	2,937	4,404
Financial guarantees issued: Maximum amount guaranteed (Note 35(c))	–	1,996				

(c) Interest rate risk

(i) Exposure

The interest rates and terms of repayment of the Group's and the Company's loan receivables and borrowings are disclosed in Notes 22, 26 and 29. Most of the borrowings are variable rate borrowings.

40 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

Financial assets

At 31 December 2012, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained earnings by approximately RMB466 million (2011: RMB516 million as restated).

Financial liabilities

At 31 December 2012, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained earnings by approximately RMB323 million (2011: RMB458 million as restated).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained earnings that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to remeasure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax and retained earnings is estimated as an annualised impact on interest income or expense of such a change in the interest rates. The analysis is performed on the same basis for 2011.

(d) Currency risk

(i) Exposure

The Group and the Company incur foreign currency risk on borrowings that are denominated in a currency other than RMB. The currency giving rise to this risk is primarily Japanese Yen, United States Dollars and Euros. The Group's and the Company's Japanese Yen, United States Dollars and Euros borrowings are disclosed in Note 29.

(ii) Sensitivity analysis

At 31 December 2012, it is estimated that a general increase/decrease in foreign exchange rates by 2%, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained earnings by approximately RMB79 million (2011: RMB114 million as restated).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained earnings that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2011.

40 Financial risk management and fair values (continued)

(e) Equity price risk

All of the Group's and the Company's unquoted investment are held for long-term strategic purposes. Their performance is assessed at least annually based on the information available to the Group and the Company, together with an assessment of their relevance to the Group's long-term strategic plans.

(f) Fair values

(i) Financial instruments carried at fair value

Financial asset for interest rate swaps and trading debt securities, and financial liability for share appreciation rights are carried at fair value.

The estimated fair value amounts have been determined by the Group using market information and valuation methodologies considered appropriate. However, considerable judgement is required to interpret market data to develop the estimates of fair values. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The fair value of the interest rate swaps are based on discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument having a similar maturity at the end of the reporting period.

The fair value of the trading debt securities are based on quoted market prices at the end of the reporting period.

The fair value of the financial liability for share appreciation rights are measured by using the Black-Scholes option pricing model. The risk free rate, dividend yield and volatility of share price are used as the inputs into this model.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2012 and 2011.

The fair values of long-term borrowings and long-term payables are estimated by discounting future cash flows using current market interest rates offered to the Group for borrowings with substantially the same characteristics and maturities.

The fair values of all other financial assets and liabilities approximate their carrying amounts due to the nature or short-term maturity of these instruments.

41 Subsequent events

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

On 22 March 2013, the Board of Directors proposed a final dividend of RMB0.96 per ordinary share totalling RMB19,094 million to the equity shareholders of the Company. Further details are disclosed in Note 14(a).

(Expressed in Renminbi)

42 Comparative figures

Certain comparative figures have been adjusted as a result of the 2012 Acquisitions. Further details are disclosed in Note 19(b).

43 Immediate and ultimate controlling party

At 31 December 2012, the directors consider the immediate parent and ultimate controlling party of the Group to be Shenhua Group Corporation Limited, a state-owned enterprise established in the PRC. This entity does not produce financial statements available for public use.

44 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2012

Up to the date of issue of these financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2012 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
IFRS 10, *Consolidated financial statements*	1 January 2013
IFRS 11, *Joint arrangements*	1 January 2013
IFRS 12, *Disclosure of interests in other entities*	1 January 2013
IFRS 13, *Fair value measurement*	1 January 2013
IAS 27, *Separate financial statements (2011)*	1 January 2013
IAS 28, *Investments in associates and joint ventures*	1 January 2013
Revised IAS 19, *Employee benefits*	1 January 2013
IFRIC 20, *Stripping costs in the production phase of a surface mine*	1 January 2013
Amendments to IFRS 7, *Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities*	1 January 2013
Amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards – Government loans*	1 January 2013
Annual Improvements to IFRSs – 2009-2011 Cycle	1 January 2013
Amendments to IFRS 10, *Consolidated financial statements,* IFRS 11, *Joint arrangements* and IFRS 12, *Disclosure of interests in other entities – Transition guidance*	1 January 2013
Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*	1 January 2014
Amendments to IAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
IFRS 9, *Financial instruments*	1 January 2015
Amendments to IFRS 9, *Financial instruments* and IFRS 7, *Financial instruments: Disclosures – Mandatory effective date and transition disclosures*	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

Documents Available for Inspection

1. The annual report for the year 2012 signed by the legal representative;

2. The financial statements signed and sealed by the legal representative, the Chief Financial Officer and the General Manager of the Financial Department;

3. The original copy of the auditor's report sealed by the accounting firm and signed and sealed by the certified public accountant;

4. The original copies of all documents and announcements of the Company publicly disclosed in the newspapers designated by the CSRC during the reporting period;

5. The annual report for the year 2012 published on The Stock Exchange of Hong Kong Limited.

Zhang Xiwu
Chairman
China Shenhua Energy Company Limited

22 March 2013

Signing Page for Opinions

Written Confirmation to the 2012 Annual Report

Article 68 of the Securities Law of the People's Republic of China requires that the directors of a listed company shall sign a written confirmation to its regular report, and guarantee the truthfulness, accuracy and completeness of the information disclosed by the listed company.

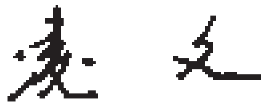
Article 12 of the Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 – The Contents and Formats of Annual Report (Revised edition 2012) requires that the board of directors of a listed company and its directors shall guarantee the truthfulness, accuracy and completeness of the content of its annual report and warrant that the report does not contain any false representation, misleading statement or material omission, and shall jointly and severally accept full legal responsibility for this warrant. If there is any director who disagrees with the content of the annual report or is unable to guarantee the truthfulness, accuracy and completeness of the annual report or, his reasons shall be stated separately.

Having fully understood and reviewed the 2012 Annual Report of the Company, the board of directors and all directors are of the opinion that information disclosed in the 2012 Annual Report is true, accurate and complete. We hereby guarantee that the information stated in this report does not contain any false representation, misleading statement or material omission, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the content thereof.

Signature of all directors of the Company:

(Zhang Xiwu)

(Zhang Yuzhuo)

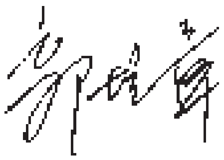


(Ling Wen)

(Han Jianguo)

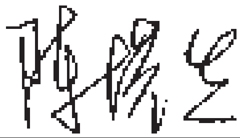
(Fan Hsu Lai Tai)

(Gong Huazhang)



(Guo Peizhang)

(Kong Dong)



(Chen Hongsheng)

China Shenhua Energy Company Limited

22 March 2013

Written Review Opinion on the 2012 Annual Report

Article 68 of the Securities Law of the People's Republic of China requires that the supervisory committee of a listed company shall review the regular report prepared by the board of directors and provide a written review opinion.

Article 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 2012) requires that the supervisory committee of a listed company and its supervisors shall guarantee the truthfulness, accuracy and completeness of the content of its annual report and warrant that the report does not contain any false representation, misleading statement or material omission, and shall jointly and severally accept full legal responsibility for this warrant. If there is any supervisor who disagrees with the content of the annual report or is unable to guarantee the truthfulness, accuracy and completeness of the annual report or, his reasons shall be stated separately.

Having fully understood and reviewed the 2012 Annual Report of the Company, the supervisory committee and all supervisors are of the opinion that information disclosed in the 2012 Annual Report is true, accurate and complete. We hereby guarantee that the information stated in this report does not contain any false representation, misleading statement or material omission, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the content thereof.

Signature of all supervisors of the Company:

(Sun Wenjian)

(Tang Ning)

(Zhao Shibin)

China Shenhua Energy Company Limited

22 March 2013

Written Confirmation to the 2012 Annual Report

Article 68 of the Securities Law of the People's Republic of China requires that the senior management of a listed company shall sign a written confirmation to its regular report, and guarantee the truthfulness, accuracy and completeness of the information disclosed by the listed company.

Article 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 2012) requires that senior management of a listed company shall guarantee the truthfulness, accuracy and completeness of the content of its annual report and warrant that the report does not contain any false representation, misleading statement or material omission, and shall jointly and severally accept full legal responsibility for this warrant. If there is any senior management member who disagrees with the content of the annual report or is unable to guarantee the truthfulness, accuracy and completeness of the annual report or, his reasons shall be stated separately.

Having fully understood and reviewed the 2012 Annual Report of the Company, all senior management members of the Company are of the opinion that information disclosed in the 2012 Annual Report is true, accurate and complete. We hereby guarantee that the information stated in this report does not contain any false representation, misleading statement or material omission, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the content thereof.

Signature of all senior management members of the Company:

(Ling Wen)

(Han Jianguo)

(Wang Xiaolin)

(Li Dong)

(Hao Gui)

(Xue Jilian)

(Wang Pingang)

(Wang Jinli)

(Zhai Guiwu)

(Huang Qing)

(Zhang Kehui)

China Shenhua Energy Company Limited

22 March 2013

Definitions

No.	Abbreviation	Full name
1	Shenhua Group Corporation	Shenhua Group Corporation Limited
2	Shenhua Group	Shenhua Group Corporation Limited and its controlling subsidiaries
3	China Shenhua or the Company	China Shenhua Energy Company Limited
4	The Group	the Company and its subsidiaries
5	Branches and Subsidiaries	Branches and subsidiaries of the Company
6	Shendong Coal Group Corporation	Shenhua Shendong Coal Group Co., Ltd.
7	Shendong Coal Group Corporation	the corporation conglomerate consisting of Shenhua Shendong Coal Group Co., Ltd. and its subsidiaries
8	Shendong Coal Group	China Shenhua Energy Company Limited Shendong Coal Branch
9	Guohua Power Branch	Guohua Power Branch of the Company
10	Guohua Power	Beijing Guohua Power Company Limited
11	Shenhua Guoneng Group or State Grid Energy	Shenhua Guoneng Group Co., Ltd. (神華國能集團有限公司), formerly "State Grid Energy Development Co., Ltd."
12	Shendong Power Company	Shenhua Shendong Power Co., Ltd.
13	Coal Liquefaction and Chemical Company	China Shenhua Coal Liquefaction and Chemical Co., Ltd.
14	Zhunge'er Energy Company	Shenhua Zhunge'er Energy Co., Ltd.
15	Ha'erwusu Branch	Ha'erwusu Coal Branch of the Company
16	Zhunge'er Power	Power-generating arm controlled and operated by Zhunge'er Energy Company
17	Zhunchi Railway	Shenhua Zhunchi Railway Company Limited
18	Shuohuang Railway Company	Shuohuang Railway Development Co., Ltd.
19	Shenhua Trading Group	Shenhua Trading Group Limited
20	Coal Trading Company	Shenhua Coal Trading Company Limited
21	Shenshuo Railway Branch	Shenshuo Railway Branch of the Company
22	Huanghua Harbour Administration Company	Shenhua Huanghua Harbour Administration Co., Ltd.
23	Baoshen Railway Company	Shenhua Baoshen Railway Co., Ltd.
24	Xinzhun Railway Company	Shenhua Xinzhun Railway Co., Ltd.
25	Baotou Energy Company	Shenhua Baotou Energy Co., Ltd.
26	Shenbao Energy Company	Shenhua Baorixile Energy Co., Ltd.
27	Rolling Stock Branch	Rolling Stock Branch of the Company
28	Beidian Shengli Energy	Shenhua Beidian Shengli Energy Co., Ltd.
29	Shengli Energy Branch	Shengli Energy Branch of the Company

No.	Abbreviation	Full name
30	Tianjin Coal Dock	Shenhua Tianjin Coal Dock Co., Ltd.
31	Zhuhai Coal Dock	Shenhua Yudean Zhuhai Port Coal Dock Co., Ltd.
32	Overseas Company	China Shenhua Overseas Development & Investment Co., Ltd.
33	Yu Shen Energy Company	Yulin Shenhua Energy Co., Ltd.
34	Xinjie Energy Company	Shenhua Xinjie Energy Co., Ltd.
35	Bayannur Company	Shenhua Bayannur Energy Co., Ltd.
36	Shipping Company	Shenhua Zhonghai Shipping Co., Ltd.
37	Ganquan Railway Company	Shenhua Ganquan Railway Co., Ltd.
38	Shenwan Energy Company	Shenwan Energy Company Limited
39	Fujian Energy Company	Shenhua Fujian Energy Co., Ltd.
40	Bashu Power	Shenhua Bashu Power Co., Ltd.
41	Shenwei Branch	Railway Track Mechanichal Maintenance Branch of the Company
42	Logistics Group	Shenhua Logistics Group Corporation Limited
43	Finance Company	Shenhua Finance Co., Ltd.
44	Shenhua HK Company	Shenhua International (Hong Kong) Company Limited
45	Geological Exploration Company	Shenhua Geological Exploration Co., Ltd.
46	Information Company	Shenhua Hollysys Information Technology Co., Ltd.
47	Australia Pty	Shenhua Australia Holdings Pty Limited
48	Watermark	Shenhua Watermark Coal Pty Limited
49	Chaijiagou Mining	Shaanxi Jihua Chaijiagou Mining Co., Ltd.
50	Clean Coal Company	Hulunbeier Shenhua Clean Coal Co., Ltd.
51	EMM Indonesia	PT.GH EMM INDONESIA
52	Beijing Thermal	Shenhua Guohua International Power Company Limited Beijing Thermal Power Branch
53	Panshan Power	Tianjin Guohua Panshan Power Generation Co., Ltd.
54	Sanhe Power	Sanhe Power Co., Ltd.
55	Guohua Zhunge'er	Inner Mongolia Guohua Zhunge'er Power Generation Co., Ltd.
56	Ninghai Power or Zheneng Power	Zhejiang Guohua Zheneng Power Generation Co., Ltd.
57	Shenmu Power	CLP Guohua Shenmu Power Co., Ltd.
58	Taishan Power	Guangdong Guohua Yudean Taishan Power Co., Ltd.
59	Huanghua Power or Cangdong Power	Hebei Guohua Cangdong Power Co., Ltd.
60	Suizhong Power	Suizhong Power Co., Ltd.
61	Jinjie Energy	Shaanxi Guohua Jinjie Energy Co., Ltd.
62	Dingzhou Power	Hebei Guohua Dingzhou Power Generation Co., Ltd.
63	Guohua Hulunbeier Power	Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd.
64	Taicang Power	Guohua Taicang Power Generation Co., Ltd.
65	Mengjin Power	Shenhua Guohua Mengjin Power Generation Co., Ltd.
66	Yuyao Power	Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd.
67	Zhuhai Wind Energy	Zhuhai Guohua Huidafeng Wind Energy Development Co., Ltd.
68	Huizhou Thermal	Guohua Huizhou Thermal Power Branch of the Company
69	Zhunge'er Coal Gangue Power	Inner Mongolia Zhunge'er Coal Gangue Power Co., Ltd.

No.	Abbreviation	Full name
70	A Share(s)	Ordinary shares that are issued to domestic investors with the approval of CSRC and listed in the domestic stock exchanges, and denominated, subscribed and transacted in Renminbi
71	H Share(s)	Ordinary shares that are issued to domestic investors with the approval of CSRC and listed on the Hong Kong Stock Exchange, and denominated, subscribed and transacted in Hong Kong dollar
72	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
73	Company Law	Company Law of the People's Republic of China
74	Securities Law	Securities Law of the People's Republic of China
75	SASAC	Stated-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China
76	NDRC	National Development and Reform Commission of the People's Republic of China
77	CSRC	China Securities Regulatory Commission
78	CSRC Beijing Bureau	China Securities Regulatory Commission Beijing Bureau
79	NSSF	National Council for Social Security Fund
80	SERC	State Electricity Regulatory Commission of the People's Republic of China
81	Shanghai Stock Exchange	Shanghai Stock Exchange
82	Hong Kong Stock Exchange or Stock Exchange	The Stock Exchange of Hong Kong Limited
83	Shanghai Listing Rules	Rules Governing the Listing of Stocks on Shanghai Stock Exchange
84	Hong Kong Listing Rules of Hong Kong Limited	Rules Governing the Listing of Securities on The Stock Exchange

No.	Abbreviation	Full name
85	Accounting Standards for Business Enterprises	Accounting Standards for Business Enterprises – Basic Standard and Business Enterprises 38 specific accounting standards issued by the Ministry of Finance of the People's Republic of China on 15 February 2006 and the Application Guidance to Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other related requirements subsequently issued
86	Articles of Association	Articles of Association of China Shenhua Energy Company Limited
87	Designated Newspapers for Information Disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
88	RMB	RMB

Five Year Financial Summary

The following financial information is extracted from the consolidated financial statements of the Group prepared in accordance with International Financial Reporting Standards:

Consolidated results

	For the year ended 31 December				
	2008	*2009*	*2010*	*2011*	***2012***
	RMB million	*RMB million*	*RMB million*	*RMB million*	***RMB million***
	(restated)*	*(restated*)*	*(restated*)*	*(restated*)*	
Revenues					
Coal revenue	76,580	85,899	104,384	138,263	**165,989**
Power revenue	31,876	35,445	47,422	61,204	**71,096**
Other revenues	3,496	5,362	6,780	9,758	**13,175**
Total revenues	111,952	126,706	158,586	209,225	**250,260**
Cost of revenues					
Coal purchased	(15,545)	(14,374)	(26,437)	(45,904)	**(69,685)**
Materials, fuel and power	(8,794)	(9,722)	(12,359)	(14,777)	**(18,400)**
Personnel expenses	(5,615)	(5,987)	(7,349)	(9,158)	**(10,369)**
Depreciation and amortisation	(9,860)	(11,085)	(12,966)	(14,856)	**(16,797)**
Repairs and maintenance	(4,772)	(5,092)	(5,796)	(6,070)	**(7,467)**
Transportation charges	(7,379)	(9,420)	(10,572)	(18,304)	**(17,481)**
Others	(9,878)	(12,589)	(15,112)	(19,569)	**(27,555)**
Total cost of revenues	(61,843)	(68,269)	(90,591)	(128,638)	**(167,754)**
Selling, general and administrative expenses	(7,927)	(9,195)	(9,282)	(11,056)	**(12,950)**
Other operating (expenses)/income, net	(1,519)	(659)	(788)	(825)	**48**
Total operating expenses	(71,289)	(78,123)	(100,661)	(140,519)	**(180,656)**
Profit from operations	40,663	48,583	57,925	68,706	**69,604**
Finance income	1,452	1,334	1,400	1,092	**1,258**
Finance expenses	(4,845)	(3,463)	(3,732)	(3,296)	**(3,329)**
Net finance costs	(3,393)	(2,129)	(2,332)	(2,204)	**(2,071)**
Investment income	39	11	174	1	**1**
Share of profits less losses of associates	644	777	571	346	**477**
Profit before income tax	37,953	47,242	56,338	66,849	**68,011**
Income tax	(7,266)	(9,945)	(11,563)	(14,041)	**(10,965)**
Profit for the year	30,687	37,297	44,775	52,808	**57,046**
Profit attributable to:					
Equity shareholders of the Company	27,262	32,503	39,018	45,846	**48,858**
Non-controlling interests	3,425	4,794	5,757	6,962	**8,188**
Profit for the year	30,687	37,297	44,775	52,808	**57,046**
Basic earnings per share (RMB)	1.371	1.634	1.962	2.305	**2.456**
Diluted earnings per share (RMB)	1.371	1.634	1.962	2.305	**2.456**

Condensed consolidated statement of financial position

	At 31 December				
	2008	*2009*	*2010*	*2011*	***2012***
	RMB million	*RMB million*	*RMB million*	*RMB million*	***RMB million***
	(restated)*	*(restated*)*	*(restated*)*	*(restated*)*	
Property, plant and equipment, net	152,601	171,332	191,685	223,329	**236,048**
Total non-current assets	213,923	234,834	257,244	297,981	**346,007**
Total current assets	96,674	106,113	119,798	108,526	**111,360**
Total current liabilities	(61,359)	(70,939)	(77,343)	(87,749)	**(105,557)**
Total non-current liabilities	(68,656)	(62,693)	(59,384)	(50,644)	**(45,253)**
Net assets	180,582	207,315	240,315	268,114	**306,557**
Equity attributable to equity shareholders of the Company	153,750	177,537	206,814	228,199	**256,589**
Non-controlling interests	26,832	29,778	33,501	39,915	**49,968**
Total equity	180,582	207,315	240,315	268,114	**306,557**

* Please refer to Note 19(b) of "Financial Statements" set out in this report.

2011 Annual Report

2010 Annual Report

2009 Annual Report

2008 Annual Report

2007 Annual Report

2006 Annual Report

2005 Annual Report

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